LANDSCOURANT

VAN ARUBA

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ECHTSCHEIDING

Bij beschikking van 10 oktober 2011 van het Gerecht in Eerste Aanleg van Aruba is echtscheiding uitgesproken tussen:
GLORIA ESTELLA BENITEZ CARTAGENA en
FRANKLIN GREGORY BOEKHOUDT, beiden wonende in Aruba.

De deurwaarder,
B.R. Roos

ECHTSCHEIDING

Bij beschikking van 7 november 2011 van het Gerecht in Eerste Aanleg van Aruba is echtscheiding uitgesproken tussen:
BENITO KOCK en
OLGA CECILIA BRAVO ANTE LOUIS FILS, beiden wonende in Aruba.

De deurwaarder,
M.C. Kock

ECHTSCHEIDING

Bij beschikking van 12 november 2011 van het Gerecht in Eerste Aanleg van Aruba is echtscheiding uitgesproken tussen:
ROSAMOND YVONNE JOHNSON en
JOSE GREGORIO RINCON BRAVO, beiden wonende in Aruba.

De advocaat,
mr M.M. Malmberg

ECHTSCHEIDING

Bij beschikking van 28 november 2011 van het Gerecht in Eerste Aanleg van Aruba is echtscheiding uitgesproken tussen:
MARIA ANTONIA LEÓN FLORES en
LUIS GUILLERMO YARZAGARAY, beiden wonende in Aruba.

De advocaat,
mr M.M. Malmberg

ECHTSCHEIDING

Bij beschikking van 28 november 2011 van het Gerecht in Eerste Aanleg van Aruba is echtscheiding uitgesproken tussen:
JOLANDA TROMP en
JOSE SANTIAGO FRANKEN, beiden wonende in Aruba.

De advocaat,
mr C.J. Hart

ONDERCURATELESTELLING

Bij beschikking van 14 december 2011, behorend bij E.J. no. 2817 van 2011 van het Gerecht in Eerste Aanleg van Aruba, is mw. LEE YEE CHUNG CLEMENTINE LEE-KON-FONG, onder curatele gesteld met benoeming van dhr. FARLEY HON-PING JIE-A-SWIE als curator.

De advocaat,
mr M.O. Lopez

ONDERCURATELESTELLING

Bij beschikking van 1 februari 2012, behorend bij E.J. no. 21 van 2012 van het Gerecht in Eerste Aanleg van Aruba, is mw, DAMASA MADURO-CHRISTIAAN, geboren op 11 december 1925 in Aruba, onder curatele gesteld en als curatrice aangewezen haar dochter INGRID SANDRA KELLY-MADURO.

De advocaat,
mr C.J. Hart

OPHEFFING FAILLISSEMENT

Bij beschikking van 2 februari 2012 van het Gerecht in Eerste Aanleg van Aruba, is het faillissement van de naamloze vennootschap Claumar Bar & Restaurant N.V. h.o.d.n. Rumba Bar & Grill, uitgesproken op 24 november 2010, wegens gebrek aan baten opgeheven.

De curator,
mr M.D. Tromp

MEDEDELING OPRICHTING VBA

De ondergetekende notaris deelt mede dat "OCEANSIDE FOOD SERVICE VBA" bij akte verleden op 31 januari 2012 ten overstaan van hem is opgericht.

De notaris,
mr R.E. Yarzagaray

BEKENDMAKING

Ingevolge artikel 9, eerste lid, van de Landsverordening toezicht verzekeringsbedrijf (AB 2000 no. 82) (Ltv) maakt de Centrale Bank van Aruba (CBA) hierbij bekend dat zij op 2 december 2011 op verzoek van Guardian Life of the Caribbean Ltd. de aan haar ex artikel 5, tweede lid, van de Ltv verleende vergunning om hier te lande via Guardian Life of the Caribbean Ltd., bijkantoor Aruba het levensverzekeringsbedrijf uit te oefenen heeft ingetrokken en dat ingevolge artikel 19, eerste lid, van de Ltv per dezelfde datum de inschrijving van Guardian Life of the Caribbean Ltd. in het door de CBA gehouden register van vergunninghoudende verzekeraars werd doorgehaald.

Oranjestad, 27 januari 2012

OPROEPING

De griffier van het Gerecht in Eerste Aanleg van Aruba roept hierbij op:

Romelinda Lilia MALDONADO, geboren in Aruba en wonende in Nederland;

om op dinsdag 8 mei 2012 om 8:45 uur 's morgens voor de rechter in het Gerechtsgebouw gelegen te Wayaca no. 33E in Aruba te verschijnen, teneinde te worden gehoord in verband met een door mevrouw Yolanda Concepcion Maldonado ingediend verzoek tot benoeming onzijdig persoon (EJ-231/12).

De griffier,
E.E. de Weever

LIQUIDATIE

WALLOP TRADING A.V.V.
(in liquidatie)

Hierbij wordt bekend gemaakt het besluit van de aandeelhoudersvergadering gehouden op 27 december 2011 tot ontbinding van de vennootschap.

De vereffenaar,
ANT Management (Aruba) N.V.
Victor Hugostraat 10
Oranjestad, Aruba

LIQUIDATIE

HTC HUIS TE CURACAO N.V.

(in liquidatie)

Hierbij wordt bekendgemaakt dat deponering van de rekening en verantwoording van bovengenoemde vennootschap heeft plaatsgevonden bij de Kamer van Koophandel en Nijverheid Aruba.

De vereffenaar,
ANT Management (Aruba) N.V.
Victor Hugostraat 10

LIQUIDATIE

ALP GROUP A.V.V.

(in liquidatie)

De vereffening van bovengenoemde vennootschap is voltooid en de naam is op 13 januari 2012 in het handelsregister doorgehaald.

De vereffenaar,
ANT MANAGEMENT (ARUBA) N.V.
Victor Hugostraat 10

LIQUIDATIE

BHUMIBOL A.V.V.

(in liquidatie)

De vereffening van bovengenoemde vennootschap is voltooid en de naam is op 13 januari 2012 in het handelsregister doorgehaald.

De vereffenaar,
ANT MANAGEMENT (ARUBA) N.V.
Victor Hugostraat 10

LIQUIDATIE

ABOWIJS INTERNATIONAL A.V.V.

(In liquidatie)

De vereffenaar van de vennootschap ABOWIJS INTERNATIONAL A.V.V., deelt hierbij mede dat de vereffening heeft plaatsgevonden conform het plan van uitkering en dat de rekening en verantwoording ten kantore van de Kamer van Koophandel en Nijverheid Aruba, zomede ten kantore van de vennootschap ter inzage is neergelegd.

De vereffenaar,
AMTR Management N.V.
Belgiëstraat 36, PO Box 1256
Oranjestad, Aruba

LIQUIDATIE

CYGNUS HOLDING A.V.V.

(In liquidatie)

De vereffenaar van de vennootschap CYGNUS HOLDING A.V.V., deelt hierbij mede dat de vereffening heeft plaatsgevonden conform het plan van uitkering en dat de rekening en verantwoording ten kantore van de Kamer van Koophandel en Nijverheid Aruba, zomede ten kantore van de vennootschap ter inzage is neergelegd.

De vereffenaar,
AMTR Management N.V.
Belgiëstraat 36, PO Box 1256
Oranjestad, Aruba

LIQUIDATIE

MJS CONSULTING & HOLDING A.V.V.

(In liquidatie)

De vereffenaar van de vennootschap MJS CONSULTING & HOLDING A.V.V., deelt hierbij mede dat de vereffening heeft plaatsgevonden conform het plan van uitkering en dat de rekening en verantwoording ten kantore van de Kamer van Koophandel en Nijverheid Aruba, zomede ten kantore van de vennootschap ter inzage is neergelegd.

De vereffenaar,
AMTR Management N.V.
Belgiëstraat 36, PO Box 1256
Oranjestad, Aruba

LIQUIDATIE
STEITZ HOLDING A.V.V.
(in liquidatie)

Bij besluit van de bijzondere algemene vergadering van aandeelhouders gehouden op 31 januari 2012 is besloten de bovengenoemde vennootschap te ontbinden onder benoeming van ATS Management N.V., gevestigd te Lloyd G. Smith Boulevard 62, tot de vereffenaar.
De rekening en verantwoording is ter kennisgeving aan een ieder neergelegd zowel ten kantore van het handelsregister bij de Kamer van Koophandel en Nijverheid Aruba als ten kantore van de vereffenaar.

De vereffenaar,
ATS Management N.V.
L.G. Smith Boulevard 62
Oranjestad, Aruba

LIQUIDATIE
TENRO A.V.V.
(in liquidatie)

Hierbij wordt bekendgemaakt dat deponering van de rekening en verantwoording van bovengenoemde vennootschap heeft plaatsgevonden bij de Kamer van Koophandel en Nijverheid Aruba.

De vereffenaar,
HBN Law
Beatrixstraat 38
Oranjestad, Aruba

LIQUIDATIE
EVERSUN TRADING N.V.
(in liquidatie)

De vereffenaar van de naamloze vennootschap EVERSUN TRADING N.V. maakt hiermede bekend dat bij aandeelhoudersvergadering gehouden op 28 december 2011 is besloten tot liquidatie van de vennootschap over te gaan per 28 december 2011. De vereffening is voltooid.
Het plan van uitkering en de rekening en verantwoording liggen ter inzage ten kantore van de vennootschap en bij de Kamer van Koophandel en Nijverheid Aruba.

Aruba, 1 februari 2012
De vereffenaar,
Nazca Services N.V.
Wayaca 31C
Aruba

LIQUIDATIE
PROCAT A.V.V.
(in liquidatie)

Bij besluit van de op 12 augustus 2011 gehouden algemene vergadering van aandeelhouders van bovengenoemde vennootschap is besloten tot ontbinding en algehele liquidatie per dezelfde datum.
De vereffenaar heeft de activa van de rechtspersoon te gelde gemaakt, de verhoudingen tot derden afgewikkeld en de schulden van de rechtspersoon betaald. De rekening en verantwoording liggen ter inzage voor alle belanghebbenden ten kantore van de vennootschap.

De vereffenaar,
ATC Trustees (Aruba) N.V.
p/a Salinja Cerca 39J, Noord
Aruba

LIQUIDATIE
KWAHERI A.V.V.
(in liquidatie)

Bovengenoemde vennootschap is geliquideerd en de naam is op 13 januari 2012 in het handelsregister doorgehaald.

De vereffenaar,
ATC Trustees (Aruba) N.V.
Salinja Cerca 39J, Noord

LIQUIDATIE
SCAPINO A.V.V.
(in liquidatie)

Bovengenoemde vennootschap is geliquideerd en de naam is op 13 januari 2012 in het handelsregister doorgehaald.

De vereffenaar,
ATC Trustees (Aruba) N.V.
Salinja Cerca 39J, Noord

LIQUIDATIE
I.I. INTERCASH INVESTMENTS A.V.V.
(in liquidatie)

Hierbij wordt bekendgemaakt het besluit van de aandeelhoudersvergadering, gehouden op 28 oktober 2011, tot ontbinding van bovengenoemde vennootschap.
De rekening en verantwoording is gedeponeerd bij de Kamer van Koophandel en Nijverheid Aruba.

De vereffenaar,
EuroTrust International N.V.
Watapanastraat 7
Oranjestad, Aruba

LIQUIDATIE
WOODBURY HEIGHTS A.V.V.
(in liquidatie)

Hierbij wordt bekendgemaakt het besluit van de aandeelhoudersvergadering, gehouden op 28 oktober 2011, tot ontbinding van bovengenoemde vennootschap.
De rekening en verantwoording is gedeponeerd bij de Kamer van Koophandel en Nijverheid Aruba.

De vereffenaar,
EuroTrust International N.V.
Watapanastraat 7
Oranjestad, Aruba

OPENBARE AANBESTEDING

De minister van Justitie en Onderwijs is voornemens in het openbaar aan te besteden:

Het project: Renovatie en uitbreiding St. Anna School te Noord

Volgens bestek: DOW nr. 45, dj. 2011.

Korte omschrijving van het werk:

- Renovatie schoolgebouw;
- Nieuwbouw hoofdkantoor;
- Nieuwbouw klaslokalen;
- Nieuwbouw toiletblokken.

Uitvoeringstermijn: 100 werkbare dagen na datum van aanvang.

Het bestek is vanaf 30 januari 2012 verkrijgbaar bij DOW tegen betaling van Afl. 750,00.
De betaling te voldoen bij de kassier van de Dienst Openbare Werken (DOW).
De openbare bescheiden liggen ter inzage vanaf 30 januari 2012 te DOW bij het secretariaat van de Directie.

Inlichtingen worden verstrekt op 1 februari 2012 om 10.00 vm. te DOW.
De nota van inlichtingen wordt vastgesteld op 7 februari 2012 en is vanaf die dag verkrijgbaar bij het secretariaat.

De openbare aanbesteding vindt plaats op 17 februari 2012 om 11.00 vm. op het kantoor van de Directeur DOW.
Het L.O.A. L.B. 1996 nr. 58 is op deze aanbesteding van toepassing.
De directievoering is in handen van de DOW.
De gestanddoeningstermijn is 90 dagen.

De inschrijver moet bij zijn inschrijving de volgende vereisten overleggen:

1. bereidheidverklaring van een lokale bank tot het instellen van een bankgarantie;
2. bewijs van inschrijving in het register van de Kamer van Koophandel en Nijverheid Aruba;

3. overige vereisten zijn opgenomen in het bestek.

Inschrijving dient te geschieden op het bij het bestek gevoegde en gewaarmerkte inschrijvingsformulier.

AANKONDIGING OP GROND VAN ARTIKEL 5 (TEN 7º) VAN HET WETBOEK VAN BURGERLIJKE RECHTSVORDERING VAN ARUBA (AB 2005 NO. 34)

Bij exploot van 27 januari 2012 van de deurwaarder Marlène C. Kock, waarvan een afschrift is gelaten aan de Directeur van de DWJZ in Aruba, die het origineel voor GEZIEN heeft getekend, is ten verzoeke van: DE STICHTING FONDO NACIONAL DI GARANTIA PA VIVIENDA, gevestigd en kantoorhoudende in Aruba, voor deze zaak domicilie kiezende aan de Caya Ernesto O. Petronia no. 62 te Oranjestad in Aruba, ten kantore van de advocaat mr F.M. Werleman

OPGEROEPEN:

RAQUEL RAMIRA BLIJDEN, zonder bekende woon- of verblijfplaats in Aruba, om op woensdag 16 mei 2012 des voormiddags om 8:30 uur, ter terechtzitting van het Gerecht in Eerste Aanleg van Aruba, gevestigd te Wayaca no. 33E te verschijnen, teneinde op de door requirante tegen haar ingestelde vordering te antwoorden.

De deurwaarder,
M.C. Kock

AANKONDIGING OP GROND VAN ARTIKEL 5 (TEN 7º) VAN HET WETBOEK VAN BURGERLIJKE RECHTSVORDERING VAN ARUBA (AB 2005 NO. 34)

Bij exploot van 9 januari 2012 van de deurwaarder Marlène C. Kock, waarvan een afschrift is gelaten aan de Directeur van de DWJZ in Aruba, die het origineel voor GEZIEN heeft getekend, is ten verzoeke van: DE NAAMLOZE VENNOOTSCHAP ARUBA BANK N.V., gevestigd en kantoorhoudende in Aruba, die voor deze zaak domicilie kiest ten kantore van mij, gerechtsdeurwaarder voornoemd, alsmede aan de J.E. Irausquin Blvd. no. 12 in Aruba, ten kantore van de advocaat mr Monica H.J. Kock, CONSERVATOIR BESLAG, gelegd op het onroerend goed van SHARLEEN JENNIFER TROMP, zonder bekende woon- of verblijfplaats in Aruba, zoals in vermeld exploit nader omschreven.

De deurwaarder,
M.C. Kock

AANKONDIGING OP GROND VAN ARTIKEL 5 (TEN 7º) VAN HET WETBOEK VAN BURGERLIJKE RECHTSVORDERING VAN ARUBA (AB 2005 NO. 34)

Bij exploot van 6 januari 2012 van de deurwaarder Bernard R. Roos, waarvan een afschrift is gelaten aan de Directeur van de DWJZ in Aruba, die het origineel voor GEZIEN heeft getekend, is ten verzoeke van MANUEL FUENTES, wonende in Aruba;

OPGEROEPEN:

NENILDA A. BELLA, zonder bekende woon- of verblijfplaats in Aruba, om op maandag 7 mei 2012 des voormiddags om 8:30 uur, ter terechtzitting van het Gerecht in Eerste Aanleg van Aruba, gevestigd te Wayaca no. 33E in Aruba, te verschijnen, teneinde op de door requirante(n) tegen hem (haar) ingestelde vordering te antwoorden.

De deurwaarder,
B.R. Roos

AANKONDIGING OP GROND VAN ARTIKEL 5 (TEN 7º) VAN HET WETBOEK VAN BURGERLIJKE RECHTSVORDERING VAN ARUBA (AB 2005 NO. 34)

Bij exploot van 30 januari 2012 van de deurwaarder L.R. MoralesWix, waarvan een afschrift is gelaten aan de Directeur van de DWJZ in Aruba, die het origineel voor GEZIEN heeft getekend, is RICARDO MAAS, zonder bekende woon- of verblijfplaats in Aruba, OPGEROEPEN om op woensdag 2 mei 2012 des voormiddags om 08:30 uur, ter terechtzitting van het Gerecht in Eerste Aanleg van Aruba, gevestigd te Wayaca no. 33E in

Aruba, te verschijnen, teneinde op het door de naamloze vennootschap PRIMA CASA REAL ESTATE N.V., ingediend verzoek te worden gehoord.

De deurwaarder,
L.R. MoralesWix

AANKONDIGING OP GROND VAN ARTIKEL 5 (TEN 7º) VAN HET WETBOEK VAN BURGERLIJKE RECHTSVORDERING VAN ARUBA (AB 2005 NO. 34)

Bij exploot van 2 februari 2012 van de deurwaarder L.R. MoralesWix, waarvan een afschrift is gelaten aan de Directeur van de DWJZ in Aruba, die het origineel voor GEZIEN heeft getekend, is aan DIANA MARIA MEJIA ACEVEDO, zonder bekende woon- of verblijfplaats;

BETEKEND:

een grosse van de beschikking van maandag 31 oktober 2011, waarbij ten verzoeke van GREGORIO VAN DER BIEZEN, wonende in Aruba, de echtscheiding is uitgesproken tussen partijen, op 28 juni 1991 in Colombia met elkander gehuwd.

De deurwaarder,
L.R. MoralesWix

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, twaalf (12) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de heer Francisco Oduber, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invorderbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. Kelly-Kerpens

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, acht (8) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de heer Ambrosio Henriquez, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invorderbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend

zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. Kelly-Kerpens

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, zeven (7) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de heer Roman Vrolijk, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invorderbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. Kelly-Kerpens

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, vijf (5) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de heer/mevrouw V Erfg Geerman, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invorderbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. Kelly-Kerpens

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, vijftien (15) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de mevrouw Dulce van der Linde, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invor-

derbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. Kelly-Kerpens

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, tien (10) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de mevrouw Mathilda Flanegin, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invorderbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. Kelly-Kerpens

AANKONDIGING

Op 19 januari 2012 heb ik, Susan J. Kelly-Kerpens, belastingdeurwaarder van Aruba, kantoorhoudende aldaar aan de Camacuri no. 2, drie (3) dwangschriften betekend aan de gezamenlijke erfgenamen van wijlen de heer Romualdo van der Linden, voorheen wonende in Aruba, thans zonder bekende woon- en verblijfplaats binnen en buiten Aruba en op last van de daarin genoemde Ontvanger der Belastingen die tot het einde van de executie woonplaats kiest aan zijn kantoor te Aruba, Camacuri no. 2, aan die genoemde belastingschuldige bevel gedaan om binnen TWEE DAGEN het bedrag dat thans invorderbaar is met de kosten van betekening en de verschuldigde rente te voldoen, met aanzegging dat, bij gebreke van betaling, zal worden overgegaan tot inbeslagneming en verkoop van zijn roerende en/of onroerende zaken of door middel van beslag op zijn vorderingen op derden zulks tot verhaal van het op de datum van inbeslagneming invorderbare bedrag en kosten. Aangezien de woon- en/of verblijfplaats van de belastingschuldige voornoemd onbekend zijn heb ik, belastingdeurwaarder, van de dwangschriften met bijbehorende aktes van betekening, afschrift gelaten aan de directeur van de Directie Wetgeving en Juridische Zaken, Macuarima no. 65.

De belastingdeurwaarder,
S.J. KellyKerpens

STATUTENWIJZIGING

DE STATUTEN VAN DE VERENIGING QUOTA INTERNATIONAL OF ARUBA KOMEN TE LUIDEN ALS VOLGT:

Artikel 1
NAAM, ZETEL, DUUR, EMBLEEM, VERENIGINGSJAAR

1. De vereniging draagt de naam: "QUOTA INTERNATIONAL OF ARUBA" (hierna te noemen:de Club) en is lid van Quota International Incorporated, gevestigd te Washington, District of Columbia, Verenigde Staten van Noord Amerika (hierna te noemen: Quota International).
2. De Club is opgericht op negenentwintig mei negentien honderd zevenentachtig, zijnde de datum van de charteruitrei-

king, voor onbepaalde tijd.
3. De Club is gevestigd in Aruba.
4. De Club voert het embleem en de insignes van Quota International.
5. Het verenigingsjaar van de Club loopt van één mei tot en met dertig april.

Artikel 2
DOEL EN MIDDELEN

1. Het doel van de Club, geïnspireerd door het algemene doel van Quota International, omvat de organisatie van leidinggevende beroeps- en zakenvrouwen voor dienstverlening en meer in het bijzonder:
   - het verlenen van diensten aan Aruba en de gemeenschap;
   - het bevorderen van hoge ethische normen;
   - het benadrukken van de waardigheid van alle beroepen;
   - het bevorderen van kameraad- en vriendschap;
   - het bevorderen van idealisme en rechtvaardigheid, gerechtigheid, internationale verstandhouding en welwillendheid.
2. De Club tracht haar doel te bereiken met gebruikmaking van alle haar ten dienste staande geoorloofde middelen.

ARTIKEL 3
LIDMAATSCHAP

De Club bestaat uit: actieve en buitengewone leden.

ARTIKEL 4

1. Alleen meerderjarige vrouwen kunnen lid zijn van de Club.
2. Het lidmaatschap berust op de bereidheid van de meerderjarige vrouw om tijd, talent en middelen in te zetten voor de dienstverlenende doelstellingen van Quota International.
3. De leden worden naar kwalificaties volgens regels, gesteld door de Club geclassificeerd.
4. Het is alleen mogelijk lid te worden indien men daartoe door de Club is uitgenodigd. De wijze van voordracht, de stemming voor toelating en de benoeming van nieuwe leden worden in het huishoudelijk reglement vastgesteld.

ARTIKEL 5

1. Actieve leden zijn zij die werkzaam zijn of zijn geweest in een beroep of leidinggevende functie in een bedrijf, organisatie of overheidsinstantie voor tenminste drie jaren, waaruit een inkomen wordt of werd verworven.
2. Buitengewone leden zijn zij die actief lid zijn van de Club, doch vanwege vertrek uit Aruba zijn gaan wonen of werken in een gebied waar geen Quota Club is gevestigd.
3. Actieve leden zijn verplicht:
   - een jaarlijks contributie te betalen aan de Club, Quota International en het Quota District;
   - gedurende ieder verenigingsjaar in ten minste één commissie deel te nemen en vijftig procent van het totaal der algemene ledenvergaderingen bij te wonen.
4. Buitengewone leden zijn verplicht te betalen de volledige contributie ten behoeve van Quota International en van het Quota District van de Club, alsmede twintig procent (20%) van de Club contributie. Buitengewone leden kunnen deelnemen aan de internationale conventie en de district- conferentie, doch zij hebben geen stemrecht en kunnen noch in de Club, noch op district of internationaal niveau een bestuursfunctie uitoefenen.

ARTIKEL 6

De algemene ledenvergadering kan - op voordracht van het bestuur - met een twee derde meerderheid van stemmen besluiten om aan een actief lid op grond van bijzondere omstandigheden dispensatie te verlenen ten aanzien van haar verplichting tot het bijwonen van algemene ledenvergaderingen als vermeld in artikel 5, alsmede ten aanzien van het betalen van een gedeelte van de contributie van de Club.

ARTIKEL 7

Het lidmaatschap eindigt door:

1. a. overlijden;
   b. schriftelijke opzegging door het lid;
   c. schriftelijke opzegging namens de Club;
   d. royement door het bestuur.
2. Het bestuur is bevoegd namens de Club het lidmaatschap schriftelijk op te zeggen;
   - wanneer een lid niet langer aan de vereisten voor enig lidmaatschap voldoet;
   - wanneer een lid herhaaldelijk haar financiele verplichtingen jegens de Club niet of niet behoorlijk nakomt;
   - wanneer het lid - zonder geldige reden - gedurende een verenigingsjaar minder dan vijftig (50%) procent van het totaal der algemene ledenvergaderingen heeft bijgewoond danwel gedurende een verenigingsjaar niet in ten minste één commissie heeft deelgenomen.
3. De opzeggingstermijn bedraagt één maand voor het lid en twee maanden voor de Club, tenzij voor de Club ingevolge deze statuten of het huishoudelijk reglement een andere termijn is vermeld.
4. Royement geschiedt door het bestuur indien het lid in strijd met de statuten, reglement of besluiten van de Club handelt of de Club op onredelijke wijze benadeelt danwel indien - om welke reden dan ook - redelijkerwijs van de Club niet gevergd kan worden het lidmaatschap te laten voortduren.
5. Tegen een besluit tot royement kan betrokkene binnen dertig (30) dagen na dagtekening bij de algemene ledenvergadering in beroep gaan. Gedurende de beroepstermijn is het lid geschorst. Het beroep wordt behandeld in een algemene ledenvergadering welke gehouden zal worden binnen dertig (30) dagen na dagtekening van het beroepsschrift, in welke vergadering met twee derde (2/3) stemmeerderheid over het royement dient te worden beslist. Het betrokken lid wordt uitgenodigd om tijdens die vergadering hetzij persoonlijk, hetzij vertegenwoordigd door een ander lid haar standpunt naar voren te (doen) brengen. In het geval de algemene ledenvergadering instemt met het royement, dient het lid haar Quota borstspeld bij het bestuur in te leveren.
6. Beëindiging van het lidmaatschap - om welke reden ook - in de loop van een verenigingsjaar, laat de financiële verplichtingen van het gewezen lid voor de resterende duur van het desbetreffende verenigingsjaar onverlet.

ARTIKEL 8
WEDERTOELATING

1. Een door eigen schriftelijke opzegging gewezen actief of- buitengewoon lid of zij wier lidmaatschap is beëindigd door ontbinding van een Quota Club, kan tot wedertoelating in de Club worden uitgenodigd voor toetreding in dezelfde categorie als die waarin welke zij haar lidmaatschap heeft opgezegd of verloren. Zodanige gewezen leden zijn vrijgesteld van het betalen van entreegeld.
2. Bij wedertoelating van geroyeerde leden en leden die namens de Club schriftelijk zijn opgezegd, is de voordracht- en toelatingsprocedure welke voor nieuwe le-

den geldt wederom van toepassing.

ARTIKEL 9

1. Slechts actieve leden die aan al hun verplichtingen jegens de Club hebben voldaan, kunnen door de Club bij een andere Quota Club als lid worden aanbevolen.
2. Binnen zestig (60) dagen na ontvangst van een Quota Club aanbeveling dient de Club de voordracht en toelatingsprocedure welke voor nieuwe leden geldt, te volgen. De Club geeft van het resultaat schriftelijk- kennis aan de betrokkene en aan Quota International.
3. Gewezen leden kunnen niet bij een andere Quota Club als lid worden aanbevolen

ARTIKEL 10
BESTUUR

1. Het bestuur bestaat uit zeven (7) leden, te weten, een voorzitter, een vice-voorzitter, een secretaris en een penningmeester tezamen vormende het dagelijks bestuur en drie commissarissen, te weten, een statuten commissaris, een dienstverlenings commissaris en een ontwikkelings- en groei commissaris.
2. De leden van het bestuur worden tijdens de jaarlijkse algemene ledenvergadering - met uitzondering van de buitengewone leden - door de leden der Club gekozen.
3. De leden van het bestuur worden in functie gekozen voor de duur van een verenigingsjaar en kunnen ten hoogste twee achtereenvolgende jaren dezelfde functie in het bestuur uitoefenen.
4. In tussentijdse vacatures wordt voorzien door het bestuur, met uitzondering van de functie van voorzitter welke door de vice-voorzitter zal worden bekleed. De voorziening geldt voor de resterende periode van het alsdan lopende verenigingsjaar.

ARTIKEL 11

1. Het bestuur is belast met het beleid en de zaken van de Club, overeenkomstig deze statuten, het huishoudelijk reglement en de besluiten van de algemene ledenvergadering.
2. De Club wordt in en buiten rechte vertegenwoordigd door de voorzitter en de secretaris gezamenlijk of hun plaatsvervangers.

ARTIKEL 12
BESTUURSVERGADERINGEN

1. Het bestuur vergadert vóór iedere ledenvergadering en voorts zoals in het huishoudelijk reglement is bepaald.
2. De bestuursvergaderingen worden geleid door de voorzitter.
3. Bestuursbesluiten worden genomen met meerderheid van stemmen. Voor het nemen van besluiten is een quorum vereist van ten minste vijf bestuursleden.
4. Alle leden van het bestuur zijn verplicht de bestuursvergaderingen bij te wonen. Het naar het oordeel van het bestuur zonder geldige reden afwezig zijn bij twee achtereenvolgende bestuursvergaderingen kan als uittreding van het desbetreffende bestuurslid worden aangemerkt. In dat geval zal het bestuur, conform het in artikel 10 lid 4 bepaalde, in de vacature voorzien.
5. Bestuursbesluiten kunnen in plaats van in bestuursvergaderingen ook buiten vergadering worden genomen, mits alle bestuursleden zich bij geschrift over het voorstel hebben geuit en met inachtneming van de in de statutenvoorgeschreven meerderheid van stemmen. Onder geschrift wordt verstaan elk via gangbare communicatiekanalen overgebracht schriftelijk bericht.

ARTIKEL 13
COMMISSIES

1. De Club is verplicht de volgende commissies te benoemen:
   a. een statutencommissie (bylaws-committee);
   b. een dienstverleningscommissie (service-committee);
   c. een ontwikkelings- en groeicommissie (development & growth committee).
2. De in lid 1 genoemde commissies zullen met de volgende taken zijn belast:
   a. statutencommissie: het doen van aanbevelingen met betrekking tot de statuten en/of het huishoudelijk reglement van de Club en het desgevraagd danwel uit eigen beweging verstrekken van informatie daaromtrent aan de leden;
   b. ontwikkelings- en groeicommissie: het zorgdragen voor het werven van nieuwe leden, het entameren van nieuwe clubs in andere territoria, alsmede het versterken van de band tussen de leden en de clubs;
   c. De dienstverleningscommissie: het zorgdragen voor:
      - hetgeen betreft het gehoor en de spraak;
      - hetgeen betreft vrouwen en kinderen in moeilijkheden;
      - overige dienstverlening aan de gemeenschap;
      - dienstverlening op internationaal niveau;
      - dienstverlening op andere door Quota Internationaal vastgestelde gebieden.
3. De taken en bevoegdheden van voormelde commissies worden in het huishoudelijk reglement nader geregeld en vastgesteld.
4. De voorzitter is bevoegd bijzondere commissies, die met bepaalde taken zullen worden belast, te benoemen.

ARTIKEL 14

1. De Club houdt gedurende ieder verenigingsjaar ten minste vijftien (15) algemene ledenvergaderingen. De algemene ledenvergaderingen worden geleid door de voorzitter.
2. De agenda voor de algemene ledenvergadering dient ten minste vierentwintig (24) uur voor de aanvang van de vergadering aan de leden te worden bekend gemaakt en bevat - zo mogelijk - ook het algemene programma van Quota International.
3. Voorstellen van leden kunnen slechts dan in een algemene ledenvergadering in behandeling worden genomen, indien deze ten minste tien dagen voor de datum van de vergadering schriftelijk zijn ingediend bij de secretaris.

ARTIKEL 15

1. In de algemene ledenvergadering hebben alleen de actieve leden stemrecht. Buitengewone leden hebben toegang tot de algemene ledenvergaderingen en een adviserende stem.
2. Tenzij de statuten anders bepalen, kunnen besluiten slechts rechtsgeldig worden genomen in een algemene ledenvergadering waarin de meerderheid van het aantal stemgerechtigde leden aanwezig is en met volstrekte meerderheid van stemmen.
   In het geval voornoemd quorum niet ter vergadering aanwezig is en het betreft een besluit tot statutenwijziging als bedoeld in artikel 21 van deze statuten of een besluit tot ontbinding als bedoeld in artikel 22 van deze statuten, zal de vergadering voor minimaal een (1) week worden uitgesteld. Geen quorum is vereist voor deze tweede vergadering en deze besluiten kunnen in dat geval genomen worden met volstrekte meerderheid van stemmen, ongeacht het aantal

alsdan aanwezige leden.
In het geval voornoemd quorum niet ter vergadering aanwezig is en het betreft besluiten, niet vallende onder de artikelen 21 en 22 dezer statuten, zal de vergadering worden uitgesteld en dertig minuten daarna geacht opnieuw bijeengeroepen te zijn en kunnen deze besluiten alsdan worden genomen met volstrekte meerderheid van stemmen, ongeacht het aantal alsdan aanwezige leden.

3. Stemmingen over personen geschiedt schriftelijk; over zaken wordt mondeling gestemd. Bij herhaalde staking van stemmen bij verkiezing van personen wordt door het lot beslist. In alle overige gevallen wordt het voorstel geacht te zijn verworpen.
4. Blanco en ongeldige stemmen worden geacht niet te zijn uitgebracht.

ARTIKEL 16

Buitengewone algemene ledenvergaderingen kunnen worden bijeengeroepen indien het bestuur dit nodig acht. Voor een buitengewone algemene ledenvergadering zijn de bepalingen van de artikelen 14 en 15 - voor zover mogelijk - van overeenkomstige toepassing.

ARTIKEL 17

1. Jaarlijks zal in de maand maart een algemene ledenvergadering worden gehouden waarin:
   a. een nieuw bestuur voor het komend verenigingsjaar wordt gekozen;
   b. al datgene wordt behandeld dat op de agenda vermeld staat.
2. Jaarlijks zal in de maand april een algemene ledenvergadering worden gehouden waarin onder andere:
   a. de zittende bestuursleden aftreden en de nieuwe bestuursleden aantreden;
   b. al datgene wordt behandeld dat op de agenda vermeld staat.
3. Uiterlijk in de derde algemene ledenvergadering van het nieuwe verenigingsjaar:
   a. brengt de vorige voorzitter verslag uit over het afgelopen verenigingsjaar;
   b. brengt de vorige penningmeester een financieel verslag uit van de geldmiddelen van de Club gedurende het afgelopen boekjaar;
   c. doet de kascommissie verslag van haar bevindingen zoals hierna vermeld;
   d. wordt door de voorzitter een nieuwe kascommissie benoemd;
   e. wordt de begroting - welke de voorafgaande goedkeuring van het bestuur behoeft - voor het lopende boekjaar ter goedkeuring aan de algemene ledenvergadering overgelegd.
4. Goedkeuring van het financieel verslag van de penningmeester als bedoeld in lid 3 sub b houdt decharge in van de penningmeester voor haar in het vorige boekjaar gevoerde financiële beheer.
5. Leden van het bestuur mogen geen zitting nemen in de kascommissie.
   De kascommissie zal bestaan uit twee (2) leden. Zij dient verslag uit te brengen omtrent het door de vorige penningmeester gevoerde financiële beheer gedurende het afgelopen boekjaar.

ARTIKEL 18
GELDMIDDELEN

De geldmiddelen van de Club bestaan uit:
1. a. entreegelden, contributies en andere bijdragen van de leden;
   b. opbrengsten van georganiseerde activiteiten;
   c. donaties, legaten, erfstellingen, en dergelijke;
   d. alle andere wettig geoorloofde inkomsten.

2. De entreegelden en contributies alsmede de afdrachten die de Club per lid aan Quota International verschuldigd is, worden in het huishoudelijk reglement vastgesteld en nader geregeld.

ARTIKEL 19
BOEKJAAR

Het boekjaar van de Club is gelijk aan het verenigingsjaar.

ARTIKEL 20
HUISHOUDELIJK REGLEMENT

De algemene ledenvergadering kan nadere regels vaststellen in een huishoudelijk reglement. Dit reglement mag geen bepalingen bevatten die in strijd zijn met deze statuten of de wet of met de statuten en/of het huishoudelijk reglement van Quota international.
Voorts mag het reglement niet restrictiever zijn dan de statuten of het huishoudelijk reglement van Quota International.

ARTIKEL 21
STATUTENWIJZIGING

1. Een besluit tot wijziging van deze statuten kan slechts worden genomen in een bijzondere algemene ledenvergadering als bedoeld in artikel 16.
2. In afwijking van het hiervoor in deze statuten bepaalde dient de oproepingstermijn voor zulk een vergadering ten minste vijf dagen te bedragen. In de oproeping dient te worden vermeld dat een voorstel tot statutenwijziging zal worden behandeld. De oproeping dient voorts vergezeld te gaan van de voorgestelde tekst van de statutenwijziging.
3. Over een voorstel tot statutenwijziging kan slechts rechtsgeldig besloten worden indien de meerderheid van het aantal stemgerechtigde leden aanwezig is en met twee derde meerderheid van stemmen.
4. Indien in die vergadering het vereiste quorom niet aanwezig is, zal de tweede volzin van artikel 15 lid 2 van toepassing zijn.
5. Een statutenwijziging dient schriftelijk aan Quota International te worden meegedeeld, onder toezending van de geldende tekst van de statuten.

ARTIKEL 22
ONTBINDING

1. Besluiten tot ontbinding van de Club kunnen slechts worden genomen in een bijzondere algemene ledenvergadering als bedoeld in artikel 16.
2. De leden 2, 3 en 4 van artikel 21 zijn van overeenkomstige toepassing.
3. Bij ontbinding van de Club worden haar activa te gelde gemaakt, haar schulden betaald en zal een eventueel batig saldo worden bestemd voor liefdadigheidsinstellingen in Aruba, zulks met inachtneming van het bepaalde in artikel 1680 en volgende van het Burgerlijk Wetboek van Aruba.
4. De Club moet worden ontbonden indien zij haar lidmaatschap van Quota International op grond van een rechtsgeldig door Quota International genomen besluit verliest. De insignes en de "charter" dienen alsdan naar Quota International teruggezonden te worden.

ARTIKEL 23
SLOTBEPALINGEN

In alle gevallen waarin deze statuten of het huishoudelijk reglement danwel de statuten en de reglement van Quota International of de nieuwste herziene versie van "Robert's Rules of Order" niet voorzien, beslist het bestuur.

ALGEMENE BEPALING
ARTIKEL 24

Deze statuten treden niet in werking dan nadat de goedkeuring van de Gouverneur is verkregen.

BEKENDMAKING EX ARTIKEL 12 LID 2 VAN DE LANDSVERORDENING TOEZICHT KREDIETWEZEN (LTK) (AB 1998 NO. 16)

Door de CBA zijn krachtens artikelen 13, 14 en 15 de navolgende richtlijnen uitgegeven op het gebied van solvabiliteit, liquiditeit en administratieve en bestuurlijke organisatie van kredietinstellingen.

- Supervisory Requirements
- Large Exposures to a Group of Connected Clients
- Credit Extensions to Insiders
- Loan Loss Provisioning
- Appointment of an External Auditor
- Publication of the Audited Annual Financial Statements
- Managing Directors and members of the Supervisory Board
- Prospective (In-) Direct Shareholders – Natural Persons
- Management and reporting of incidents
- Internal Audit in banks
- The issuance of multipurpose prepaid money cards
- Publication of the Effective Interest Rate (or Annual Percentage Rate (APR)) on Consumer Credit
- Sound Corporate Governance Practices
- Credit Institutions' Administrative Organization
- The Reliability and Continuity of Electronic Data Processing in Banking
- Credit Risk Management
- Country Risk Management
- Interest Rate Risk Management
- Foreign Exchange Risk Management

De volledige teksten van betreffende richtlijnen zijn in bovengenoemde volgorde hieronder opgenomen.

Oranjestad, 14 juni 2011

III.1 Supervisory Requirements

All credit institutions have to comply continuously with the stipulations of the State Ordinance on the Supervision of the Credit System (SOSCS), as well as the Bank's supervisory directives.

SOLVENCY (section 13 of the SOSCS**)**

Risk - weighed capital ratio

$$= \frac{\textit{Test capital}}{\text{Total risk value balance sheet and off-balance sheet items}} \quad \text{(minimum = 14\%)*}$$

(Refer to Appendix 7: Risk-weighted solvency test for further details.)

* Internationally active banks with an offshore establishment in Aruba are allowed to maintain a minimum risk-weighted capital ratio of 8%, provided that these internationally active banks meet the definition as mentioned in the Bank's admission and licensing policy rule for banks.

LIQUIDITY (section 14 of the SOSCS)**:**

Liquidity ratio

$$= \frac{\text{Liquid assets}}{\text{Total assets (excluding goodwill)}} \quad \text{(minimum = 15\%)}$$

Liquid assets ➊ is the sum of the following monthly statement items:

1. Cash
2.a Centrale Bank van Aruba, current account
2.b Centrale Bank van Aruba, time deposits (excluding the reserve requirement)
3.a Due from deposit money banks, demand deposits
3.b.1 Due from deposit money banks, time deposits, time to maturity: one year and below
4.a Investments, treasury bills
4.b.1 Government bonds, time to maturity: one year and below
4.b.2 70% of the value reported under "Government bonds with a maturity over one year
4.c 50% of the reported value under "Other marketable securities"

➊ Assets pledged may not be included in the calculation of the prudential liquidity ratio. Furthermore, assets encumbered by liens, or in any way committed to third parties and not available in the normal operations of a bank, may not be included in the calculation of the prudential liquidity ratio.
For "Total Assets", refer to monthly statement item with same description. Insofar applicable, the goodwill may be deducted from the "Total Assets".

Loan-to-deposit ratio

$$\frac{\text{Total loans (Net)}}{\text{Total deposits (Liabilities)}} \quad \text{(maximum = 80\%)}$$

For “Total loans (Net)” and “Total Deposits”, refer to the monthly statement items with the same description.

IMMOBILIA-RULE (section 13 of the SOSCS)

Fixed-assets-to-capital ratio

$$\frac{\textbf{Fixed assets}}{\text{Test capital}} \quad \text{(maximum = 100\%)}$$

“Fixed assets” is the sum of the following monthly statement items:

6. Premises and equipment
7. Other real estate owned

8.a Other investments and advances to subsidiaries, banks
8.b Other investments and advances to subsidiaries, banklike institutions
8.c Other investments and advances to subsidiaries, other companies
8.d Other investments and advances to subsidiaries, advances to subsidiaries

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

Other-real-estate-to-capital ratio

$$\frac{\textbf{Other real estate owned}}{\text{Test capital}} \quad \text{(maximum = 25\%)}$$

For “Other real estate owned”, refer to the monthly statement item 7 with the same description.

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

The immobilia-rule, which is partly a liquidity requirement, envisages to ensure that assets which are in principle illiquid are completely financed by funds which are permanently available (Test capital).

LARGE EXPOSURES (Section 13 of the SOSCS)

Large exposure rule

$$\frac{\text{Large exposures to one client or a group of connected clients}}{\text{Test capital}} \quad (\text{maximum} = 25\%)$$

For further guidance on this issue refer also to III-2.

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

Based on the Large exposure rule exposures to any one client or a group of connected clients may not exceed 25% of the institution’s “Test Capital” (Tier 1 + Tier 2 capital). Only in exceptional cases and under the strict conditions that 1. it concerns an A-1 client with an excellent financial position and track record, and 2. the loan is well collateralized, the management of a credit institution may decide to exceed this limit. However, under no circumstances the individual exposure to a client or a group of clients may exceed 35% of a credit institution’s test capital.

Exposures to the local Government, as well as short term (≤ 1 year) investments with financial institutions are exempted from this rule, under the conditions that subject financial institutions have a solid financial position and fall under effective supervision. The banks are required to periodically evaluate the financial position of these institutions.

Large loans, that comprise credits which equal 15% of a credit institution’s test capital are to be reported in Appendix 3: “Monthly report of large loans”. The total of the loans reported under appendix 3 (excluding the loans to local Government) may not exceed 600% of a credit institution’s test capital.

CREDIT EXTENSIONS TO INSIDERS (Section 13 of the SOSCS)

The aggregate amount of all credit extensions to insiders may not exceed 2% of the credit institution's test capital, or 1% thereof in case of any individual credit extension. The Bank reserves the right to deduct any amount in excess of the 2% limit from the credit institution’s test capital.

For further guidance on this issue refer also to III-3.

For “Test capital”, refer to Appendix 7: Risk-weighted solvency test.

III.2 Large exposures to a Group of Connected Clients

Directive on large exposures to a group of connected clients by virtue of Section 13 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction

The objective of the “large exposure rule” is to limit the concentration of risk, i.e., the risk - on a consolidated basis - incurred in respect of a single client, or a group of connected clients or in respect of other (non-client-driven) business, such as investments in bonds, stocks, participating interests etc. Exposures are understood to be the assets, as well as the off-balance sheet items of the credit institutions.

2. Definitions

A group of connected clients consists of:

- either two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other(s); or

- two or more natural or legal persons between whom there is no relationship of control as referred to above but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, the other or all of the others would be likely to encounter repayment problems.

Interconnection may be evident in the case of:

- common shareholders or partners;
- common director(s);
- cross-guarantees;
- direct commercial interdependence which cannot be undone at short term.

3. Directive

Exposures to any one client or a group of connected clients may not exceed 25% of the institution’s “Test Capital” (Tier 1 + Tier 2 capital). Only in exceptional cases and under the strict conditions that 1. it concerns an A-1 client with an excellent financial position and track record, and 2. the loan is well collateralized, the management of a credit institution may decide to exceed this limit. However, under no circumstances the individual exposure to a client or a group of clients may exceed 35% of a credit institution’s test capital.

Exposures to the local Government, as well as short term ($\leq$ 1 year) investments with financial institutions are exempted from this rule, under the conditions that subject financial institutions have a solid financial position and fall under effective supervision. The banks are required to periodically evaluate the financial position of these institutions.

As of January 1, 2003 the Bank's prior approval is no longer required for exceeding the 25% limit, because the responsibility for granting large loans should explicitly remain with the management of the credit institution, who is also accountable for keeping within the limits as indicated in this directive. To enable the Bank to make an evaluation of the credit institution's policy in this respect, all loans exceeding the 25% limit should be tagged with the letter A in appendix 3.

Moreover, the total of all large loans reported under Appendix 3 of the monthly statement, comprising of loans in excess of 15% of a credit institution's test capital, may not exceed 600% of a credit institution's test capital.

III.3 Credit extensions to Insiders

Definitions

For purposes of this Directive:

(a) "Bank" means Centrale Bank van Aruba;

(b) "credit extensions" means: loans, overdraft facilities, guarantees and all other forms of credit, irrespective form or collateral;

(c) "insiders" means any manager, director and/or shareholder including partners or relatives in the first and second degree and related/affiliated companies;

(d) "manager" means any person conducting the day-to-day management of the credit institution and whose function as such has been laid down in the articles of incorporation or any other regulation of the institution and whose appointment has been approved by the Bank;

(e) "director" means a member of the Supervisory Board of the credit institution or a body with a similar task;

(f) "shareholder" means a natural person/legal entity who/that:

1) holds a direct or indirect interest of more than 5% of the issued share capital of the bank; or
2) can exercise directly or indirectly more than 5% of the voting rights in the bank; or
3) can exercise directly or indirectly a similar control in the bank;

(g) "majority shareholder" means a shareholder as defined under (f) with an interest or voting rights of more than 50%;

(h) "capital base" means "test capital" (refer to Appendix 7: “Risk-weighted solvency test”).

Lending limits

The aggregate amount of all credit extensions to insiders may not exceed 2% of the institution’s capital base, or 1% thereof in case of any individual credit extension. The Bank reserves the right to deduct the amount in excess of the 2% limit from the credit institution’s test capital.

Related companies
Credit extensions to enterprises in which insiders are a majority shareholder are included in the calculation of credit extensions to insiders. The terms and conditions of credit extensions to insiders may not be more favorable than those granted to non-related borrowers under similar circumstances.

Staff loans
Credit extensions to staff members of the credit institution are excluded from the lending limits to insiders, provided they can be considered fringe benefits and are granted in accordance with the guidelines of the credit institution. The credit institution should seek the redemption of such credits or the conversion thereof into regular terms upon or immediately after the resignation of the relevant staff member. The bank is to establish a written comprehensive policy with regard to credit extensions to staff members.

III.4 Loan Loss Provisioning

Directive on loan loss provisioning by virtue of Section 13, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction

The objective of this directive is to provide the credit institutions with guidelines for the establishment of effective policies and criteria for loan loss classification and provisioning. It deals with both the general (unallocated) and allocated loan loss provisions.

2. General (Unallocated) Loan Loss Provision

2.1 Purpose and definition

The unallocated loan loss provision should be considered as a special form of a dynamic determined provision related to the general risk a credit institution runs, directly or indirectly, originating from granting loans and conducting other banking activities. This provision serves as a buffer for losses, which cannot be foreseen and therefore cannot be quantified, (e.g. frauds, contingent liabilities and severe (loan) losses caused by a deterioration in the general economic situation).

2.2 Required minimum

Additions to the general provision have to be made systematically, thereby aiming at a minimum size, which stands in a reasonable relation to the possible risks involved. When deciding on this minimum management should take, amongst other things, into account:

- the domestic and international economic situation;
- (change in) character and composition of the balance sheet;
- past loss experience and relevant expectations;
- contingent liabilities.

Due to the one-sided structure of the Aruban economy and the ensuing modest opportunities for an adequate diversification of the loan portfolio and other bank activities, the Bank requires, for prudential reasons, that each bank should build up a general provision of at least 3% of the net loan portfolio plus other risk items on the asset side of the balance sheet. The net portfolio is calculated as gross loans minus allocated provisions.

2.3 Exceptions

Only in the case of local branches, whereby this provision is built up for the whole banking group by the parent company abroad, the absence of an unallocated loan loss provision may be justified.

3. Allocated Loan Loss Provision

3.1 Purpose and definition

The allocated loan loss provision is a specific provision for loans for which it is foreseen that full repayment will not take place. As part of its on-site examinations, the Bank performs credit reviews at the supervised institutions. These reviews result in the following classifications: good, special mention, substandard, doubtful and loss. Below an outline is provided of the Bank's loan classification and its provisioning policy. All credit institutions should review their own classification and provisioning policies and bring these in line with the policies mentioned below.

3.2 Loan classification

Good

The loan is sound and all principal and interest payments are current. Repayment difficulties are not foreseen under current circumstances and full repayment is expected.

Special mention

The loan is subject to conditions that, if left uncorrected, could raise concerns about full repayment. These loans require more than normal attention.

Substandard

Full repayment is in doubt due to inadequate protection (e.g. obligor net worth or collateral), and/ or interest or principal or both are more than 90 days but less than 180 over due. These loans show underlying, well-defined weaknesses that could lead to probable loss if not corrected and, thus, may become impaired assets. A specific provision of 10 - 20% of the uncollateralized amount is required.

Doubtful

Assets for which collection/ liquidation in full is determined by bank management to be improbable, due to current conditions, and/ or interest or principal or both are overdue more than 180 days but less than one year. Assets in this category are impaired, but are not yet considered total losses, because some pending factors may improve the asset's quality (via new financing or capital injection). A specific provision of at least 50% of the uncollateralized amount is required under these circumstances.

Loss

An asset is downgraded to loss when management considers the facility to be virtually uncollectible, and/ or when interest or principal or both are overdue more than one year. A specific provision of 100% of the uncollateralized amount is required under these circumstances.

III-5 Appointment of an External Auditor

Directive on the appointment of an external auditor by virtue of Section 15, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction

It is important that bank supervisors obtain the information they need to properly form an opinion on the financial strength of each credit institution. This information is obtained, amongst others, from the financial reports that are filed, supported by information obtained through communication with the external auditor. Therefore, banking supervisors have a clear interest in ensuring that there exists an adequate relationship between them and the credit institutions' external auditors, essentially based on the principles as formulated by the Basel Committee on Banking Supervision in its paper of January 2002. In this respect, high standards of auditing are indispensable. Therefore, the audit performed should be carried out by external auditors who:

- are properly licensed and in good standing;
- have relevant professional experience and competence;
- are subject to a quality assurance program;
- are independent in fact and in appearance;
- are objective and impartial; and
- comply with all ethical requirements.

Pursuant to section 1 of the SOSCS an external auditor is defined as an auditor, who is not employed by a credit institution, and who is registered at the Royal Netherlands Institute of Chartered Accountants or is registered elsewhere at a similar institute as the Royal Netherlands Institute of Chartered Accountants and, in the opinion of the Bank, is subject to a similar regime of rules of conduct, professional code and discipline.

2. Provision of information by auditors / engagement letter

The provision of information to the Bank by the external auditors of credit institutions is covered in section 23, paragraph 2 of the SOSCS. This section states that when granting the auditor the assignment to audit the annual accounts, the credit institution shall instruct its auditor in writing to:

a. after consultation with the credit institution that granted the assignment, provide the Bank forthwith with a copy of the auditor's report to the Supervisory board, of the letters of the Managing board and of the correspondence that relates directly to the auditor's report, in so far as these documents are considered to be necessary in reason for the proper fulfillment of the Bank's supervisory tasks;

b. after consultation with the credit institution, inform the Bank in writing forthwith of circumstances that could hinder the issue of an auditor's report stating that the annual accounts give a true and fair view of the finan-

cial position of the credit institution;

c. after consultation with the credit institution that granted the assignment, inform the Bank in writing forthwith of circumstances which could endanger the continuity of the credit institution, or from which it appears that there is a serious suspicion of an extensive fraud;

d. furnish the Bank, if required, with additional information on the documents referred to under a. and on the circumstances referred to under b. and c.

Subject provisions should be included in the engagement letter. A copy of said letter should be attached to the request for the appointment of an external auditor.

3. Directive

For any appointment of, or change in external auditor, the Bank’s prior written approval is required. The Bank should be informed on the reasons of the intended change.

The Bank will grant its approval if the external auditor complies with the requirements as stipulated in section 1 of the SOSCS and if there are no circumstances that, in the opinion of the Bank, would make the external auditor unfit for the assignment.

The Bank maintains at all times the right to revoke its approval if there are circumstances that in the opinion of the Bank justify such an action.

III-6 Publication of the Audited Annual Financial Statements

Directive on the Publication of the Audited Annual Financial Statements by virtue of Section 15, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction

In order to promote the soundness and integrity of the financial sector it is necessary that stakeholders (including the public in general) have access to sufficient information to evaluate the financial position and performance of financial institutions. Transparency plays an important role in the constant improvement of the quality of the financial sector. In view thereof, a requirement to publish a credit institution’s audited annual financial statements is included in the Basel Core Principles for effective Banking Supervision.

Moreover, according to Section 76 sub d., Volume I of the Aruban Code of Commerce, all credit institutions incorporated under Aruban law should, within 8 days after their balance sheet and income statement have been approved, file complete transcripts of these documents and the accompanying notes with the Chamber of Commerce.

2. Directive

In line with the above, the Bank has decided to issue a directive requiring all credit institutions, as of the reporting year 2005, to publish their audited annual financial statements or an (for the Bank acceptable) extract thereof within 6 months after the end of each financial year (by filing subject statements with the Chamber of Commerce).

Branches should publish the audited annual financial statements of the legal entity of which they form part.

III-7 Managing Directors and members of the Supervisory Board

The day–to-day policy of a credit institution must be determined by at least two persons, while it should have a Supervisory board or a comparable body of at least three natural persons.

In order to safeguard the good reputation of the financial sector of Aruba, the Centrale Bank van Aruba (the Bank) in its licensing procedure, applies certain requirements as to the integrity, knowledge and experience of directors of the credit institutions. These criteria are also applied in cases where new directors are appointed. In view of these requirements, the Bank may object to the appointment of one or more persons who determine the day-to-day policy of a supervised institution because his, her or their knowledge is considered inadequate to engage in the business of a credit institution. Likewise, the Bank may object one or more persons accepting a post involving the (co-) determination of the policy of a supervised institution if, based on the intentions or the past history of that person or those persons, the Bank holds the opinion that the interests of the creditors or future creditors of the institution could be jeopardized.

Pursuant to section 9 of the SOSCS any appointment of a new Managing Director and/or member of the Supervisory Board, needs the Bank's prior written approval. In order to assess the intended appointment in the light of the criteria above, the candidate is required to complete the Bank’s questionnaire (Annex 1), sign and return it to the Bank via the institution concerned. A formal request together with the filled-out questionnaire should be send to the Bank.

The questions must be answered truthfully and as fully as possible. Questions relating to legal proceedings, convictions, refusal of licenses, supervision of payment or bankruptcy must be answered regardless of whether these facts occurred in Aruba or elsewhere and regardless of the nature of the facts (economic or other offenses).

The Bank's decision is taken on the basis of all available information, including that about the nature of the position and of the institutions. The answers to the questionnaire are merely one among many considerations.

Together with the filled out questionnaire the applicant must submit a declaration of good conduct.

The Bank informs the institutions concerned of its decision.

The information obtained is covered by the secrecy obligation provided for in Article 35 of the State Ordinance on the Supervision of the Credit System.

III-8 Prospective (In-) Direct Shareholders- Natural Persons

CHANGE IN SHAREHOLDING (section 17 of the SOSCS)

Pursuant to section 17 sub 1a of the SOSCS any natural person or legal entity needs the Bank's prior written approval to hold, acquire or increase a qualifying holding in a credit institution or to exercise any control attaching to a qualifying holding. The prospective shareholder should fill in the Bank's questionnaire for prospective shareholders (Annex 2). A formal request together with the filled-out form should be send to the Bank. If such an interest or control could lead to any influence on the credit institution, which is contrary to sound banking policy, the Bank may refuse authorization.

According to section 1 of the SOSCS a qualifying holding implies a direct or indirect holding of more than 5% of the issued share capital of the credit institution or the ability to exercise directly or indirectly more than 5% of the voting rights or the ability to excise directly or indirectly a comparable degree of control in the credit institution.

III-9 Management and reporting of incidents

Management and reporting of incidents[1]

Directive by virtue of section 15 of the State Ordinance on the Supervision of the Credit System on the management and reporting of incidents that constitute a serious risk for the integrity of a credit institution.

1. General

Within the meaning of this directive, incidents are “incidents that constitute a serious risk for the integrity of the credit institution, if they concern the conduct of an officer or a person who determines the day-to-day policy of the credit institution, or of a holder of a qualifying shareholding in the credit institution or of a natural person or legal entity that performs activities for the credit institution”. In the definition of “incident”, “conduct” is understood to be an act as well as an omission.

It is vital that incidents are handled carefully and that accurate information is provided to the Centrale Bank van Aruba (the Bank) regarding incidents. Incident management is essential for the safeguarding of the integrity of a credit institution. A credit institution must ensure that the risk of disreputable conduct by officers of the institution or by persons or legal entities that perform activities for the credit institution, or that have a relationship or wish to enter into a relationship with it, is limited and controlled as far as possible. This means, inter alia, that the internal organization of the credit institution must be set up in such a way that incidents that may prejudice, or have prejudiced, its integrity are detected and recorded, and that corrective measures are taken as a result. Notwithstanding this, a credit institution must take preventive measures based upon risk analysis to control the integrity risks.

2. Policy regarding incidents

1. A credit institution shall adopt a policy regarding the management of incidents and this shall include at least:
a) the administrative recording of incidents;
b) the method of incident handling to be used;
c) the reporting of information regarding incidents.

2. A credit institution shall ensure that this policy is translated into organizational and administrative procedures and measures. These procedures and measures shall be integrated into the business processes and shall contribute to an integrity-conscious corporate culture.

3. Administrative recording of incidents

A credit institution shall ensure that incidents are recorded, including at least the characteristics of the incident, information about the person or persons who have brought about the incident, and the measures taken following the incident.

[1] This directive is primarily based on the regulation on incidents at credit institutions and insurance companies issued by the Dutch Central Bank.

4. Method of incident handling

Following an incident, the credit institution shall take appropriate measures, the aims of which shall be at least to:
a) control the risk arising;
b) reinforce the applicable standards;
c) limit the negative internal and external effects of the incident.

5. Reporting of information to the Bank

1. A credit institution shall notify the Bank without delay of incidents if:

a) the incident has been or will be reported to the judicial authorities;
b) the continuity of the banking institution is at risk or could be at risk;
c) there is a serious shortcoming in the set-up and/or operation of measures aimed at safeguarding the integrity of the credit institution;
d) a serious level of reputational loss by the institution is likely, e.g. because of the expected publicity, or
e) in view of the seriousness, scope and/or other circumstances of the incident, it is reasonable that the Bank should be informed because of its supervisory role.

2. The information referred to in section 5(1) shall include at least:

a) the facts and circumstances of the incident;
b) information concerning the position, capacity and function of the person or persons who have brought about the incident;

3. The measures that have been taken or will be taken following the incident.

III-10 Internal Audit in banks

Internal Audit in banks[2]

Directive by virtue of section 15 of the State Ordinance on the Supervision of the Credit System on the Internal Audit in banking organizations.

1. General

Within the meaning of this directive internal audit is defined as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

Adequate internal controls within banking organizations must be supplemented by an effective internal audit function that independently evaluates the control systems within the organization. Strong internal control, including an internal audit function and an independent external audit are part of sound corporate governance, which in turn can contribute to an efficient and collaborative working relationship between bank management and bank supervisors.

Some banks have chosen to introduce control self-assessments. These can be described as a formal and documented process whereby management and/or a staff team analyze their activity or function and evaluate the efficiency and effectiveness of the related internal control procedures. These self-assessments may be a useful technique for evaluating the efficiency and effectiveness of internal control without being a substitute for internal audit.

The principles discussed below should be followed when designing and implementing internal audit in banking organizations.

2. Objectives and tasks of the internal audit function

Principle 1
The bank's board of directors has the ultimate responsibility for ensuring that senior management establishes and maintains an adequate and effective system of internal controls, a measurement system for assessing the various risks of the bank's activities, a system for relating risks to the bank's capital level, and appropriate methods for monitoring compliance with laws, regulations, and supervisory and internal policies. At least once a year, the board of directors should review the internal control system and the capital assessment procedure.

The board of directors should regularly verify whether the bank has established an adequate system of internal controls to ensure a well-ordered and prudent conduct of business (with reference to clearly defined objectives). The board should also regularly verify whether the bank has developed a system for relating risks to the bank's capital level. Finally, the board should ensure that the bank has processes for identifying

[2] This directive is largely based on the paper 'internal audit in banks and the supervisory relationship with auditors' issued by the Basel Committee on Banking Supervision in August 2001.

and adequately controlling the risks incurred in pursuing its business objectives; for testing the integrity, reliability and timeliness of financial information and management information; and for monitoring compliance with laws and regulations, supervisory policies, and internal plans, policies, and procedures.

Principle 2
The bank's senior management is responsible for developing processes that identify measure, monitor and control risks incurred by the bank. At least once a year, senior management should report to the board of directors on the scope and performance of the internal control system and of the capital assessment procedure.

Senior management should maintain an organizational structure that clearly assigns responsibility, authority and reporting relationships and ensures that delegated responsibilities are effectively carried out. Senior management is also responsible for developing risk management processes that identify measure, monitor and control risks. Finally, senior management sets appropriate internal control policies and monitors the adequacy and effectiveness of the internal control system.

Principle 3
Internal audit is part of the ongoing monitoring of the bank's system of internal controls and of its internal capital assessment procedure, because internal audit provides an independent assessment of the adequacy of, and compliance with, the bank's established policies and procedures. As such, the internal audit function assists senior management and the board of directors in the efficient and effective discharge of their responsibilities as described above.

From a general point of view, the scope of internal audit includes:

- the examination and evaluation of the adequacy and effectiveness of the internal control systems;
- the review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- the review of the management and financial information systems, including the electronic information system and electronic banking services;
- the review of the accuracy and reliability of the accounting records and financial reports;
- the review of the means of safeguarding assets;
- the review of the bank's system of assessing its capital in relation to its estimate of risk;
- the appraisal of the economy and efficiency of the operations;
- the testing of both transactions and the functioning of specific internal control procedures;
- the review of the systems established to ensure compliance with legal and regulatory requirements, codes of conduct and the implementation of policies and procedures;
- the testing of the reliability and timeliness of the regulatory reporting; and
- the carrying-out of special investigations.

Senior management should ensure that the internal audit department is kept fully informed of new developments, initiatives, products and operational changes to ensure that all associated risks are identified at an early stage.

3. Principles of internal audit

3.1 Permanent Function – Continuity

Principle 4

Each bank should have a permanent internal audit function. In fulfilling its duties and responsibilities, the senior management should take all necessary measures so that the bank can continuously rely on an adequate internal audit function appropriate to its size and to the nature of its operations. These measures include providing the appropriate resources and staffing to internal audit to achieve its objectives.

Only in very exceptional cases (e.g. if due to the size of a bank the establishment of an own internal audit department is not economically feasible) it is allowed to outsource this function to a third party vendor other than the bank's own external auditor. Senior-Management and Board of Directors remain also in such cases fully responsible for the adequacy and effectiveness of the internal audit function. In case the necessary expertise for parts of the audit to be performed is not available inhouse, a bank can hire outside vendors other than the bank's own external auditor to execute part of the audit work.

3.2 Independent function

Principle 5

The bank's internal audit function must be independent of the activities audited and must also be independent from the every day internal control process. This means that internal audit is given an appropriate standing within the bank and carries out its assignments with objectivity and impartiality.

The internal audit department must be able to exercise its assignment on its own initiative in all departments, establishments and functions of the bank. It must be free to report its findings and appraisals and to disclose them internally. The principle of independence entails that the internal audit department operates under the direct control of either the bank's chief executive officer or the board of directors or its audit committee (if one exists), depending on the corporate governance framework.

The head of the internal audit department should have the authority to communicate directly, and on his/her own initiative, to the board, the chairman of the board of directors, the members of the audit committee (if one exists) or the external auditors where appropriate, according to rules defined by each bank in its audit charter.

Independence also requires that the internal auditors should not have a conflict of interest with the bank. The compensation scheme for internal auditors should be consistent with the objectives of the internal audit. The internal audit function should be subject to an independent review. This review can be carried out by an independent party like an external auditor, or it can be done by the audit committee, if one exists.

3.3 Audit charter

Principle 6

Each bank should have an internal audit charter that enhances the standing and authority of the internal audit function within the bank.

An internal audit charter establishes at least:

- the objectives and scope of the internal audit function;
- the internal audit department's position within the organization, its powers, responsibilities and relations with other control functions; and
- the accountability of the head of the internal audit department.

The charter should be drawn up - and reviewed periodically - by the internal audit department; it should be approved by senior management and subsequently confirmed by the board of directors as part of its supervisory role. The audit committee, if one exists, can also provide this confirmation.

In the charter, the bank's senior management gives the internal audit department the right of initiative and authorizes it to have direct access to and communicate with any member of staff, to examine any activity or entity of the bank, as well as to access any records, files or data of the bank, including management information and the minutes of all consultative and decision-making bodies, whenever relevant to the performance of its assignments.

The charter should state the terms and conditions according to which the internal audit department can be called upon to provide consulting or advisory services or to carry out other special tasks and should be communicated throughout the organization.

3.4 Impartiality

Principle 7

The internal audit function should be objective and impartial, which means it should be in a position to perform its assignments free from bias and interference.

Objectivity and impartiality entails that the internal audit department itself seeks to avoid any conflict of interest. To this end, staff assignments within the internal audit department should be rotated periodically whenever practicable. Internally recruited auditors should not audit activities or functions they performed within the last twelve months.

Impartiality requires that the internal audit department is not involved in the operations of the bank or in selecting or implementing internal control measures. Otherwise it would have to assume responsibility for these activities, which would impair its judgmental independence.

However, the need for impartiality does not exclude the possibility that senior management may request from the internal audit department an opinion on specific matters related to the internal control principles to be complied with. For instance, senior management may for the sake of efficiency request an opinion when considering important reorganizations, the start of important or risky new activities, new establishments which are to carry out risky activities, and the setting up or reorganization of risk control systems, management information systems or information technology systems. However, the eventual development and introduction of these measures should remain the responsibility of management. Indeed, such a consultative function constitutes an ancillary task which should in no way impede the basic tasks or the responsibility and independence of the internal audit department. Subsequent internal audit reports can contain recommendations relating to deficiencies and weaknesses and suggestions for improving internal controls.

3.5 Professional competence

Principle 8

The professional competence of every internal auditor and of the internal audit function as a whole is essential for the proper functioning of the bank's internal audit function.

The professional competence of each internal auditor as well as his/her motivation and continuing training are prerequisites for the effectiveness of the internal audit department. Professional competence must be assessed taking into account the nature of the role and the auditor's capacity to collect information, to examine, to evaluate and to communicate. In this respect, account should also be taken of the growing technical complexity of banks' activities and the increasing diversity of tasks that need to be undertaken by the internal audit department as a result of developments in the financial sector.

Professional competence, and particularly knowledge and experience, within the internal audit department itself also deserve special attention. The main implication of this is that the department as a whole must be competent enough to examine all areas in which the bank operates.
Continuously performing similar tasks or routine jobs may negatively affect an internal auditor's capacity for critical judgment. It is therefore recommended, whenever practicable, to rotate staff within the internal audit department. This rotation must be accomplished in a manner that does not jeopardize the independence of the internal auditors.

Professional competence should be maintained through systematic continuing training of each member of the staff. All staff members of the internal audit department should have sufficient up-to-date knowledge of auditing techniques and banking activities.

3.6 Scope of activity

Principle 9

Every activity and every entity of the bank should fall within the scope of the internal audit.

None of the bank's activities or entities - including the activities of branches and subsidiaries as well as outsourced activities - may be excluded from the internal audit department's scope of investigation. The internal audit department should have access to any records, files or data of the bank, including management information and the minutes of the consultative and decision-making bodies, whenever it is relevant to the performance of its assignments.

From a general point of view, the scope of internal audit should include the examination and evaluation of the appropriateness and effectiveness of the internal control system and of the manner in which assigned responsibilities are fulfilled. In many respects, this represents a risk analysis of the bank's internal control system.

In particular, the internal audit department should evaluate:

- the bank's compliance with policies and risk controls (both quantifiable and non-quantifiable);
- the reliability (including integrity, accuracy and comprehensiveness) and timeliness of financial and management information;
- the continuity and reliability of the electronic information systems; and
- the functioning of the staff departments.

The internal audit department should give adequate consideration to the legal and regulatory provisions covering the bank's operations, including the policies, principles, rules and guidelines issued by the supervisory authority with regard to the manner in which banks are organized and managed. However, this does not imply that the internal audit department should assume the compliance function.

3.7 The bank's internal capital assessment procedure

Principle 10

Within the framework of the bank's internal capital assessment process, internal audit should carry out regularly an independent review of the risk management system developed by the bank to relate risk to the bank's capital level and the method established for monitoring compliance with internal capital policies.

A bank's risk recognition and capital assessment processes differ from the risk management process, which typically focuses more on the review of business strategies developed to maximize the risk/reward trade-off within the different areas of the bank.

The bank should clearly identify the individual or department responsible for reviewing the capital assessment procedure. This might be done by the internal audit department or by another individual or department that is sufficiently independent from the operations of the bank.

4. Functioning of internal audit

4.1 Working methods and types of audit

Principle 11

Internal audit includes drawing up an audit plan, examining and assessing the available information, communicating the results, and following up on recommendations and issues.

There are different types of internal audit, which may include but are not limited to:

- the financial audit, the aim of which is to assess the reliability of the accounting system and information and of resulting financial reports;
- the compliance audit, the aim of which is to assess the quality and appropriateness of the systems established to ensure compliance with laws, regulations, policies and procedures;
- the operational audit, the aim of which is to assess the quality and appropriateness of other systems and procedures, to analyze the organizational structures with a critical mind, and to evaluate the adequacy of the methods and resources, in relation to the assignment; and
- the management audit, the aim of which is to assess the quality of management's approach to risk and control in the framework of the bank's objectives.

The internal audit department examines and evaluates the whole of the bank's activities in all its entities. Therefore, it should not focus on one single type of audit, but should use the most appropriate type, depending on the audit objective to be achieved. Furthermore, the internal audit department should not limit itself in this respect to auditing the bank's various departments. Rather, it should also pay special attention to auditing a banking activity through all engaged entities within the bank.

4.2 Risk focus and audit plan

The management of the internal audit department prepares a plan for all the assignments to be performed. The audit plan includes the timing and frequency of planned internal audit work. This audit plan is based on a methodical control risk assessment. A control risk assessment documents the internal auditor's understanding of the institution's significant activities and their associated risks. The management of the internal audit department should establish the principles of the risk assessment methodology in writing and regularly update them to reflect changes to the system of internal control or work process, and to incorporate new lines of business. The risk analysis examines all of the bank's activities and entities, and the complete internal control system. On the basis of the results of the risk analysis, an audit plan for several years is established, taking into account the degree of risk inherent in the activities. The plan also takes into account expected developments and innovations, the generally higher degree of risk of new activities, and the intention to audit all significant activities and entities within a reasonable time period (audit cycle principle - for example, three years). All those concerns will determine the extent, nature and frequency of the assignments to be performed.

The department's audit plan must be realistic, i.e., it must include a time budget for other assignments and activities such as specific examinations, opinions to be given, and training. The plan includes a statement detailing the necessary resources in terms of personnel and other resources. As for personnel, not only their number but also the necessary professional competence shall be considered. The audit plan should be regularly reviewed and updated whenever necessary.

The audit plan should be established by the internal audit department and approved by the bank's chief executive officer or by the board of directors or its audit committee (if one exists). This approval implies that the bank will make the appropriate resources available to the internal audit department.

4.3 Procedures

For each audit assignment an audit program should be prepared. The audit program describes the objectives as well as an outline of the audit work that is considered necessary to achieve them.

All audit procedures forming part of the assignment should be documented in working papers. These must reflect the examinations that have been made and emphasize the evaluations formulated in the report. The working papers must be drawn up according to a well-determined method. Such method must provide sufficient information to verify whether the assignment was duly performed and to enable others to check the manner in which it was performed.

A written audit report of each assignment is to be issued as quickly as possible. It is transmitted to the auditee and to senior management.

The audit report presents the purpose and scope of the audit and includes the internal audit department's findings and recommendations, as well as the auditee's responses.

The internal audit department follows up on its recommendations to see whether they are implemented. The status of the recommendations is communicated at least every half year to senior management, to the board of directors or to the audit committee (if one exists).

4.4 Management of the internal audit department

Principle 12

The head of the internal audit department should be responsible for ensuring that the department complies with sound internal auditing principles.

The head of the internal audit department should ensure compliance with sound internal auditing standards, such as the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*. In particular, the head of the internal audit department should ensure the establishment of an audit charter, an audit plan, and written policies and procedures for his/her staff. He/she must continuously ensure the professional competence and training of his/her staff and that the necessary resources are available. He/she should also give particular consideration to his/her staff's motivation and to its quality consciousness.

The internal audit department should regularly report to and advise senior management and to the board of directors or audit committee (if one exists) on the performance of the internal control system and on the achievement of the internal audit department's objectives. In particular, it should inform senior management and/or the board or audit committee about the progress of the audit plan. As part of its supervisory tasks the board of directors or audit committee should regularly discuss the organization and resources (both in terms of personnel and otherwise) of the internal audit department, the audit plan, activity reports, and a summary of internal audit's recommendations and the status of their implementation.

4.5 The relationship of the internal auditors and the external auditors

Principle 13

There should be regular consultation between internal and external auditors in order to make their cooperation as efficient and effective as possible.

External auditors have an important impact on the quality of internal controls through their audit activities, including discussions with management and the board of directors or audit committee and recommendations for improvement of internal controls.

It is generally accepted that the internal audit may be useful in determining the nature, timing and extent of external audit procedures. However, the external auditor has the sole responsibility for the audit opinion on the financial statements. The external auditor should be advised of and have access to relevant internal auditing reports and be kept informed of any significant matter that comes to the internal auditor's attention which may affect the work of the external auditor. Similarly, the external auditor would normally inform the internal auditor of any significant matters which may affect internal auditing.

The head of the internal audit department should ensure that work performed by the internal auditor does not unnecessarily duplicate the work of external auditors. Coordination of audit efforts involves periodic meetings to discuss matters of mutual interest, the exchange of audit reports and management letters and a common understanding of audit techniques, methods and terminology.

III.11 The Issuance of Multipurpose Prepaid Money Cards

1. Introduction

Developments in electronic money schemes have been evoking considerable interest over the last few years, although their use is still very modest compared to cash and traditional non-cash payment instruments. Traditional (retail) payments are generally low-value, consumer payments that do not require immediate settlement (examples: checks, demand drafts, cashier checks, money orders traveler's checks and other related bank drafts). Supplementing these traditional retail payments are newer payment products, or non-traditional retail payments. These are often referred to as electronic money (e-money) or new payment methods. A number of innovative products for making payments have been developed in recent years, taking advantage of rapid technological progress and financial market development. Implementation of these innovative products also entails potential money laundering and terrorist financing risks.

The purpose of this directive is to elaborate on the characteristics and potential money laundering and terrorist financing risks of prepaid money card and to outline the Centrale Bank van Aruba (the Bank)'s policy stance with respect to the issuing of multipurpose prepaid money cards by commercial banks in Aruba.[3]

2. Characteristics of multipurpose or open-system prepaid money cards

Prepaid money cards provide access to monetary funds that are paid in advance by the purchaser of the card. While there are many different types of prepaid cards that are used in a variety of ways, they typically operate in the same way as a debit card and ultimately rely on access to an account. There may be an account for each card that is issued or, alternatively, there may be a pooled account that holds the funds prepaid for all cards issued. Prepaid cards can be issued for limited or multiple purposes:

- *Limited purposes* or *closed system* prepaid cards can be used for only a limited number of well-defined purposes and their use is often restricted to specific points of sale or specific services.
- *Multipurpose* or *open-system* prepaid cards can be used across a broad range of locations for a wide range of purposes. Such cards may be used on a national or international scale but may sometimes be restricted to a certain geographical area. Open-system cards function more like traditional debit cards, and can be used via ATM networks to access cash, and to make purchases at retailers with PIN-based point of sales terminals.

This directive regulates the issuance of multipurpose prepaid money cards (MPC's) issued by the commercial banks in Aruba.

Characteristics of open-system cards are:

- Most open-system cards feature a MasterCard or Visa logo and can be used anywhere Visa or MasterCard may be used.
- Some cards can be reloaded with value by the cardholder.
- Generally a bank account or face-to-face verification of the cardholder identity is not required.
- Prepaid cards do not involve credit and are therefore popular with those people who cannot obtain credit.
- These cards are ideal for immigrants sending cash to family abroad.

[3] See also report on New Payment Methods, Financial Action Task Force dated 13 October 2006

3. Multipurpose prepaid cards risk assessment

The potential Money Laundering (ML) or Terrorist Financing (TF) risks posed by MPC's can vary from one service to another. Table 1 summarizes the ML/TF potential risk factors with respect to MPC's.

Table 1: MPC's money laundering and terrorist financing risks

Potential Risk Factors	Risk Mitigants
• Anonymous card holder • Anonymous funding (inflow) and anonymous access to funds (outflow) • High card value limit and/or no limit on the number of cards an individual can acquire • Access to cash globally through ATM's • Offshore issuers may not observe laws in all jurisdictions	• Verify cardholder identification • Limit funding options • Limit card value and/or the number of cards that an individual can acquire and/or value per transaction • Limit cross-border access to cash • Monitor transactions and report suspicious activity • Implement a card/account block • Limit access to network by undesirable merchants and ATM providers/networks

MPC's ML/TF risks:

- MPC's may be used to support anonymous cross border funds transfer. When cards are issued without a bank account and applications are accepted online, by telephone, via fax or via the counter at retailers, insufficient customer due diligence in the application process may increase the potential ML/TF risk.
- Methods of account funding, such as cash and money orders, are anonymous and leave no paper trail, increasing the potential ML/TF risk independent of other risk factors.
- The more money that can be moved through a card account, either at one time or through a series of ATM transfers, the greater the ML/TF risk.
- MPC's that have the capability to provide access to cash at automated ATM's increases the potential ML/TF risk. Access to cash via the ATM networks, however, usually requires the use of a personal identification number (PIN) that must be pre-set with the issuing institution. The requirement of the PIN may not, however, provide sufficient information within the transaction record to identify with full certainty the recipient.
- Cards that can provide access to cash via ATM's on a global basis may increase the potential ML/TF risk independent of other risks.

4. Bank's policy on the issuing of MPC's

Commercial banks are allowed to issue personalized and non-personalized (bearer) MPC's under the following minimum conditions:

Identification

Personalized/bearer cards

Proper identification procedures have to be in place.

Bearer cards
Additionally, in case a person wishes to purchase more than one card, the reasons thereof have to be disclosed by this person in writing. The bank in question has to review whether the reasons given are plausible and, if not, file an unusual transaction report with the “Meldpunt Ongebruikelijke Transacties”.

Value limits

Personalized cards
Maximum value held in the card account is set at Afl. 1,800 (US$ 1,000)

Bearer cards
Maximum value held in the card account is set at Afl. 900 (US$ 500)

Methods of funding

Personalized cards
Reloading is allowed at the issuing commercial bank, but needs to be monitored strictly.

Bearer cards
Reloading option is not allowed.

Geographical limits

Personalized/bearer cards
The usage of MPC’s outside the Kingdom of the Netherlands is only allowed for cards that feature a MasterCard, Visa or other logo from a well-established international credit card company.

Usage limits

Personalized cards
Usage is restricted to point-of-sale (POS), secured internet purchases and ATM networks. A card/account block feature is required.

Bearer cards
Direct cash access via ATM is not allowed. A card/account block feature is required.

Customer Due Diligence Directive

Finally, also the requirements laid down in the Bank’s Customer Due Diligence directive, insofar applicable, have to be observed.

September 1, 2007

III.12 Publication of the Effective Interest Rate (or Annual Percentage Rate (APR)) on Consumer Credit

1. Introduction

This directive on the Publication of the Effective Interest Rate (or Annual Percentage Rate (APR) on Consumer Credit is aimed at enhancing transparency in the local credit market and providing the public with adequate information on the costs of consumer credit.

It is issued pursuant to section 12, paragraph 1, of the State Ordinance on the Supervision of the Credit System (AB 1998, No. 16) (SOSCS).

2. Definitions

For the purpose of this directive, the following definitions shall apply:

- *Effective interest rate or APR:* reflects the "true" cost of credit, expressed as a percentage on an annual basis, taking into consideration the amortization of loans balances through periodic payments.

- *Nominal interest rate:* reflects the stated rate of interest, ignoring compounding interest or other factors.

- *Consumer credit:* comprises credit extended to individuals for personal or household use (e.g. personal loans and car loans).

- *Relevant Party:* means the licensed credit institution or the (legal) person with an exemption pursuant to article 48 of the SOSCS to extend consumer credit to the public (together hereafter referred to as "the relevant parties").

- *Advertisement:* Any form of communication intended to persuade an audience (viewers, readers or listeners) to purchase or take some action upon products, services or ideas.

3. Disclosure of Effective Interest Rate or APR

When a relevant party offers consumer credit products to the public, for example through advertising, whereby a direct or indirect reference is made to any pricing element of this type of credit, then the relevant party must adhere to the following:

1. Disclose the "effective interest rate" or APR, in the same format as the nominal interest rate.
2. It is strictly forbidden to publish other types of interest rates, for example the add-on interest rate.
3. Insofar applicable, disclose the insurance contracts and security that need to be established in order for a person to become eligible for this type of credit.
4. Insofar applicable, disclose the penalty interest or fees applicable in case of early repayment of the loan.

If the advertisement refers to an interest rate which will be offered for a limited period or an interest rate with a variable component that will differ for a limited period from normal rates, then the financial institution must also provide the following information:

1. The specific time frame in which the offered interest rates will be applicable.
2. The effective interest rate or APR applicable upon expiration of the aforementioned specific time frame.

3. In case of a grace period, the weighted average effective interest rate or APR during the entire term of the loan must also be disclosed.

A financial institution shall not include in its advertisement on credit such statements that:

- are aimed at the ease or speed of obtaining the credit;
- imply that current credit agreements do not or play only a subordinate role in the evaluation of credit requests;
- imply that despite negative outcome of the credit screening process or deviation from the applicable rules of conduct a client can still obtain credit;
- refer to the characteristics of the credit in which tax advantages are implied.

Furthermore, the effective interest rate or APR must be clearly mentioned in the loan agreement.

4. Calculation of Effective Interest Rate or APR

The effective interest rate or APR must be calculated according to the method outlined in the appendix to this directive.

5. Sanctions

Pursuant to section 35, paragraph 1 of the SOSCS, the CBA may impose either an administrative fine not exceeding Afl. 250,000 and/or a penalty order ("last onder dwangsom") not exceeding Afl. 250,000 in case of non-compliance with the provisions contained in this directive.

In accordance with section 53 of the SOSCS, acting in violation with section 12, paragraph 1, of the SOSCS is punishable.

June 1, 2011

APPENDIX

Method to calculate the effective interest rate or APR

The interest on consumer credit is usually calculated on the principal amount. In those cases, the effective interest rate or APR is higher than the nominal interest rate. The allowed method for calculating the effective interest rate or effective interest rate or APR follows. Each relevant person has to ensure that the calculation of the effective interest rate or APR is done systematically in accordance with these provisions.

The monthly annuity[4] (of consumer credit) is commonly calculated by using the following formula:

$$\text{Annuity} = \frac{\text{loan amount} + (\text{loan amount x annual nominal interest percentage x number of years})}{\text{Number of (monthly) payments}}$$

The following example illustrates calculations using this aforementioned formula.

Client	*A*	*B*
Loan amount (Afl.)	10,000	10,000
Annual nominal interest rate	10%	12%
Number of years	3	2
Number of (monthly) payments	36	24

Calculation:

$$\text{Annuity A} = \frac{10{,}000 + (10{,}000 \text{ x } 0.10 \text{ x } 3)}{36} = \frac{10{,}000 + 3{,}000}{36} = 361.11$$

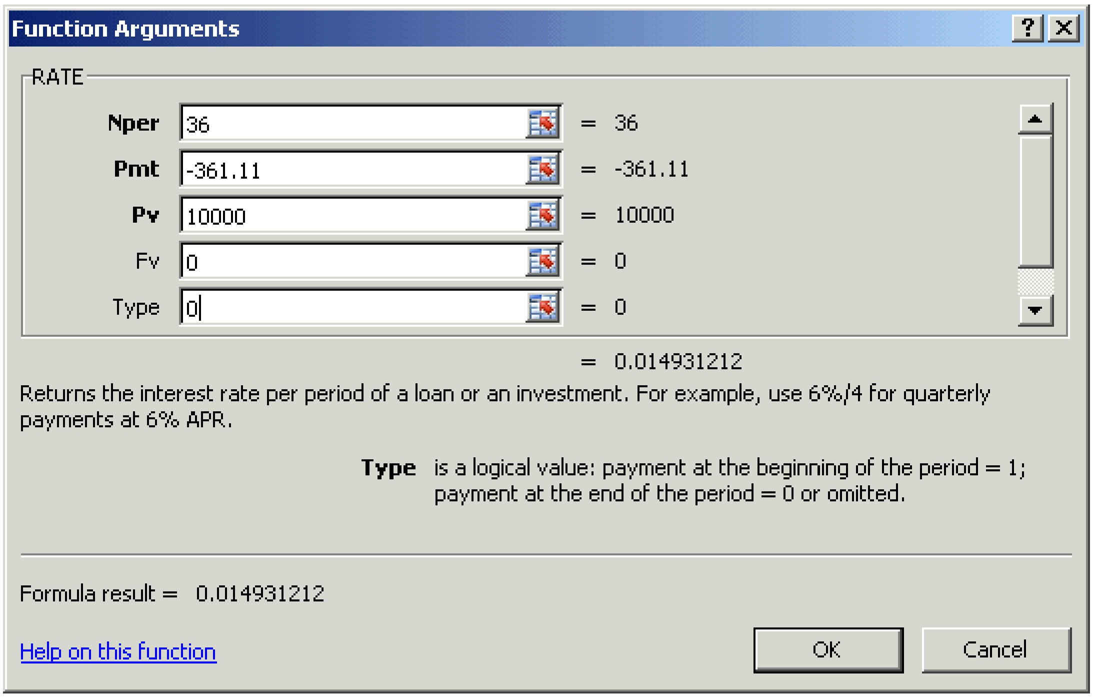
$$\text{Annuity B} = \frac{10{,}000 + (10{,}000 \text{ x } 0.12 \text{ x } 2)}{24} = \frac{10{,}000 + 2{,}400}{24} = 516.67$$

The effective interest rate or APR can be calculated as follows:

The use of the MS Excel RATE function is a simple and efficient method for determining the exact pricing of loans. Therefore, the CBA recommends the use of this method. For illustrative purpose we provide the following examples:

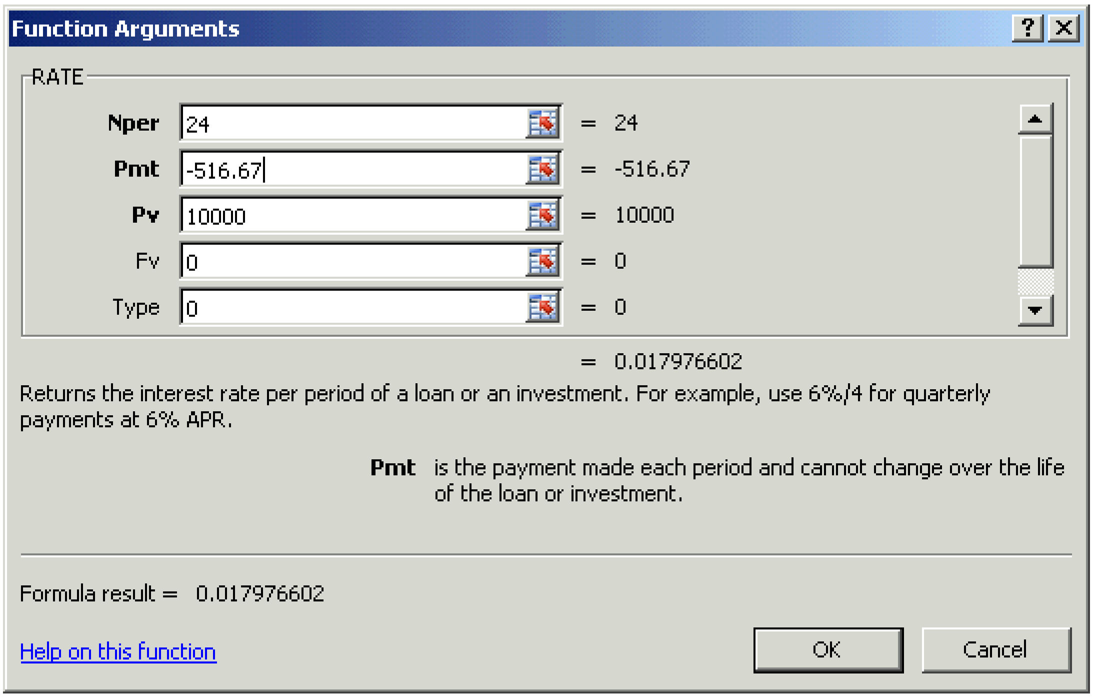
[4] The annuity, being the monthly equal payment, typically includes a principal and an interest element.

RESULT FOR EXAMPLE A



Example A = RATE {36,-361.11,10000,0,0} = 0.014931212
Effective interest rate or
APR (annual basis) = 0.014931212 x 12 = 0.179174544 = 17.92%

RESULT FOR EXAMPLE B



Example B = RATE {24,-516.67,10000,0,0} = 0.017976602
Effective interest rate or
APR (annual basis) = 0.017976602 x 12 = 0.215719224 = 21.57%

Remark:
The calculations are based on the following assumptions:

- The loan will run its full term.
- The interest percentage remains fixed during the term of the loan.
- Loan-related fees are not included.

IV.1 Sound Corporate Governance Practices

Guidance notes for supervised financial institutions in Aruba issued on the basis of Section 15 of the SOSCS

I. Introduction

Financial institutions face special challenges, because these institutions differ from other corporations in that most of the funds they put at risk belong to others. Generating return to the shareholders with mainly third-party funding creates limits on the risks that a supervised institution can prudently undertake.

In general, to ensure that supervised financial institutions are safely and soundly managed, the Bank requires that these institutions avoid unsafe and unsound practices. Corporate governance involves the manner in which the business and affairs of individual institutions are governed by their senior-management and Supervisory Board (the Board). Therefore, supervisors of financial markets have a keen interest in determining that the institutions supervised have adopted sound corporate governance practices. With these guidance notes the Bank aims at promoting the adoption of sound corporate governance practices by financial institutions under its supervision.

II. Basic elements of sound corporate governance practices

Basic elements of sound corporate governance practices are:

- Establishing clear strategic objectives and corporate values that are communicated throughout the organization.
- Setting and enforcing clear lines of responsibility and accountability throughout the organization.
- Ensuring that board members and senior-management are qualified for their positions.
- Adequate risk management.
- Comprehensive internal controls.
- Full, accurate and timely financial disclosure.

In the following paragraphs these elements will be discussed more in length, especially in relation to the responsibilities of the Board.

III. Responsibilities of the Board and its members

The Board has dual responsibilities. The Board has its responsibilities as a whole, while each Supervisory Director has responsibilities as an individual member of the Board.
The responsibilities of the Board as a whole can be summarized as follows:

- Ensure competent management on an ongoing basis.
- Ensure appropriate plans and policies for the institution.
- Monitor operations to ensure compliance and adequate control.
- Oversee business performance.

III.1 Board responsibilities

a. To ensure competent management on an ongoing basis

Capable management is a critical element in the difference between success and failure of on institution. Integrity, technical skills, and experience should be key considerations in the selection process of senior-management. The appointment or dismissal of a member of senior-management should have the approval or at least the consent of the Board.

b. To ensure appropriate plans and policies for the institution

Planning

Rapid changes in the financial industry call for clear strategies and business planning. Long-term strategic planning is done in strong cooperation with the Board and forms the broad policy framework, containing the institution's philosophy and vision to the future.

Policies

All major activities must be covered by adequate policies and no such activity should be initiated before appropriate written policies and procedures are in place. Furthermore, policies should be communicated clearly through all levels, in order to promote consistency of interpretation throughout the organization as a whole.

c. To monitor operations to ensure compliance and adequate control

The Board needs to ensure that senior-management has put adequate internal controls in place to ensure that the institution's operations are properly controlled and that they comply with adopted policies, applicable laws and regulations.

d. To oversee business performance

The Board must receive timely all necessary information to evaluate management's performance (refer also to paragraph IV.3). The information provided should include at least:

- monthly balance sheet and profit and loss account;
- analysis of actual versus budgeted income and costs (also per division);
- analysis of key ratio's and trends (including prudential ratio's);
- information on accounting, policy and compliance matters;
- information on important external developments;
- internal audit reports (including management's comments);
- reports from and correspondence with the external auditor (including the so-called management-letter);
- on-site examination letter and other relevant correspondence with the supervisor; and,
- changes in relevant laws and regulations;

III.2 Supervisory Director's individual responsibilities

A Supervisory Director should:

a) be aware of the institution's operating environment.
Each Supervisory Director should be generally informed of both the business environment and the legal and regulatory framework affecting the institution's activities.

b) be diligent in performing its duties.
Supervisory Directors must devote adequate time and attention necessary to fulfill their duties in a proper manner and should be knowledgeable enough to contribute in a meaningful sense to the activities of the Board.

c) exercise independent judgment.
If a Supervisory Director disagrees with a Board decision, he or she should say so and formally register and explain his or her disagreement. Objective judgement is critical to the Board's effectiveness.

d) be loyal to the institution's interests.
Supervisors Directors are at all times responsible for protecting the institution's interests. Supervisory Directors must also ensure that neither they nor others abuse their position to benefit personally from the institution. They should structure their business with and personal ties to the institution so as to avoid even the appearance of a conflict of interest.

III.3 Required qualifications

Candidates for board positions in supervised institutions need at least some basic knowledge of the financial industry. However, the Board as a whole must possess sufficient knowledge and experience.

III.4 Separate Board Committees

The Board can form, for example, the following separate committees, in order to perform certain tasks that require detailed review or in-depth consideration.

Audit Committee:	This committee serves to monitor compliance with Board's policies, applicable laws and regulations, and to review financial and auditing matters.
Risk Management Committee:	This committee ensures that the institution maintains acceptable risk limits and that appropriate risk-control techniques are used to monitor and minimize losses to the institution.

Credit Committee:	The credit committee ensures that an institution's lending policies are adequate and adhered to and comply with applicable laws and regulations regarding credit extension.
Investment/Asset-Liability Committee:	This committee ensures that the institution's investment policies and assets/liabilities mix are adequate and that the institution's investments comply with Board policies, general principles of asset and liability management, principles of risk management, and applicable laws and regulations.
Remuneration Committee:	Matters usually dealt with by this committee include CEO compensation arrangements, remuneration, recruitment and termination policies, incentive schemes, and remuneration arrangements for Board members.

It should be stressed, however, that the Board as a whole remains fully responsible for a proper supervision of the institution. Therefore, these committees should report to the complete Board on all major issues discussed.

IV. Risk management

When evaluating the quality of risk management at financial institutions, the Bank considers primarily if the following conditions are met:

- active Board and senior-management oversight;
- adequate policies, procedures, and limits;
- adequate risk measurement, monitoring, and management information systems; and
- adequate and comprehensive internal controls.

IV.1 Active Board and senior-management oversight

The Board should be consulted on the overall business strategy and on significant policy matters, including those related to the managing and taking of risks.

Senior-management is, however, primarily responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both a long-term and a day-to-day basis.

IV.2 Adequate policies, procedures, and limits

The following guidelines are considered by the Bank in evaluating the adequacy of a supervised institution's policies, procedures, and limits:

- The institution's policies, procedures, and limits provide for adequate identification, measurement, monitoring, and control of the risks posed by its activities.

- The policies, procedures, and limits are consistent with the institution's stated goals and objectives and the overall financial strength of the institution.
- Policies clearly delineate accountability and lines of authority across the institution's activities.
- Policies provide for the review of new activities of the financial institution to ensure that the infrastructure necessary to identify, monitor, and control risks associated with an activity is in place before the activity is initiated.

IV.3 Adequate risk measurement, monitoring, and management information systems

Effective risk monitoring requires institutions to identify and measure all material risk exposures. Consequently, risk monitoring activities must be supported by information-systems that provide senior-managers and Board with timely reports on the financial condition, operating performance, and risk exposure of the financial institution, as well as with regular and sufficiently detailed reports for line managers in the day-to-day management of the institution's activities.

In assessing the adequacy of a supervised institution's measurement and monitoring of risk and its management reports and information systems, the Bank will consider whether the following conditions exist:

- The institution's risk monitoring practices and reports address all of its material risks.
- Key assumptions, data sources, and procedures used in measuring and monitoring risk are appropriate and adequately documented and tested for reliability on an ongoing basis.
- Reports and other forms of communication are consistent with the institution's activities, structured to monitor exposures and compliance with established limits, goals, or objectives, and as appropriate, compare actual versus expected performance.
- Reports to the Board and management are accurate and timely and contain sufficient information to identify any adverse trend and to evaluate adequately the level of risk faced by the institution.

IV.4 Comprehensive internal controls

An institution's internal control environment is critical to the safe and sound functioning of the institution and, in particular, to its risk management system. Establishing and maintaining an effective system of controls, including appropriate separation of duties, is one of senior-management's primary responsibilities.

When properly structured, a system of internal controls promotes effective operations and reliable financial and regulatory reporting. Moreover, the system safeguards assets and helps to ensure compliance with relevant laws, regulations, and institutional policies.

Internal controls should be tested regularly by an internal auditor. The results of audits or reviews should be adequately documented as should management's responses to them. In addition, communication channels should exist that allow negative or sensitive findings to be reported directly to the Board or to the relevant Committee of the Board.

In evaluating the adequacy of a supervised institution's internal controls and audit procedures, the Bank will consider whether the following conditions are met:

- The system of internal controls is appropriate to the type and level of risks posed by the nature and extent of the institution's activities.
- The institution's organizational structure establishes clear lines of authority and responsibility for monitoring adherence to policies, procedures, and limits.
- Reporting lines provide sufficient independence of the control areas from the business lines and adequate separation of duties throughout the organization.
- Official organizational structures reflect actual operating practices.
- Financial, operational, and regulatory reports are reliable, accurate, and timely; wherever applicable, exceptions are noted and promptly investigated.
- Adequate procedures exist for ensuring compliance with applicable laws and regulations.
- Internal audit or other review related practice provide for independence and objectivity.
- Internal controls and information systems are adequately tested and reviewed; the coverage, procedures, findings, and responses to audits and review tests are adequately documented; identified material weaknesses are given appropriate and timely attention.
- The Board, in consultation with senior-management, reviews on at least a yearly basis the effectiveness of internal audits and other review activities.

V. Financial disclosure

Stakeholders should receive sufficient information to evaluate management's performance. In this respect, all supervised institutions should at least comply with the disclosure requirements set out in the Aruban Code of Commerce.

IV.2 Credit Institutions' Administrative Organization[5]

Policy paper issued on the basis of Section 15 of the SOSCS

1. Introduction

Credit institutions engage in activities which differ in nature from those undertaken by other businesses. In contrast with many other enterprises, money flows at credit institutions are not counterposed by flows of goods. There is no direct link between performance and renumeration. In addition, monetary transactions are often initiated by the customers of credit institutions. For these and other reasons, reliance must be placed to a major extent on the adequate functioning of the existing administrative organization, including internal control. Within the present context, these can be described as follows:

- administrative organization: the totality of measures relating to the systematic collection, recording and processing of data for the management and the proper functioning of the credit institution, and the reports that have to be rendered thereon.
- internal control: control on the judgement and activities of staff insofar as that control is exercised for the benefit of the management of the credit institution by or on behalf of that management.

2. General

It must be stressed that the policy responsibility for the setting up and proper functioning of an adequate administrative organization rests with the management of the credit institution. The management should monitor the operations of the credit institution. This means (financial and management-oriented) information on the developments taking place in various parts of the institution, and the risks confronting the institution should be available. This information should make timely and adequate reporting to the management (as well as the supervisory authorities) possible.

Within the context of its supervisory task, the Supervisory Board should ensure that the management implements and maintains an adequate administrative organization. The manner in which a credit institution sets up its administrative organization, including internal control, depends not only on the earnings and expenses resulting from the measures to be taken, but also on the nature and magnitude of the activities undertaken and the risks run in the process.

The Bank is aware that it is impossible to rule out completely any irregularities which might thwart the system of measures and procedures. This system shall meet reasonable conditions. It must be noted that a credit institution should also ensure that
any subsidiaries (such as leasing and trust companies) and (foreign) branches operate an adequate administrative organization.

In the case of a subsidiary which is not a credit institution, allowance should be made, with regard to the (set-up of the) administrative organization, for the nature of the business and for what may be considered adequate in the sector concerned.

[5] This guideline is primarily based on the guideline ‘Credit Institutions’ Administrative Organization’ issued on May 27, 1993 by De Nederlandsche Bank N.V. (Dutch Central Bank).

An adequate administrative organization is one where administrative systems, management information and internal control meet qualitative criteria through a system of measures and procedures. The general guidelines to be observed, notably with regard to the administrative organization, management information and internal control, are set out below.

The recommendations concerning matters which should be given greater attention are set out in greater detail in the appendix.

3. Guidelines for credit institutions' administrative organization

To attain a well-functioning administrative organization, a number of preconditions should be met:

- an organizational structure in which the delegation of responsibility is adequately organized, and the necessary segregation of duties has been effected
- a positive attitude on the part of the management with regard to internal control, reflected in prompt reactions to signals coming from within the institution
- sufficient supervision by and on behalf of the management on the proper functioning of the administrative systems and internal control procedures the imposition of stringent requirements on the expertise and attitude of staff.

Generally speaking, the functions, tasks and responsibilities of the credit institution's staff shall be unequivocally described/ laid down in writing. Activities with a managing, safeguarding, registering and controlling nature must be segregated; in principle, efforts shall be made to prevent such duties from being performed within one single department or by a single staff member.

These measures are meant to help limit the risk of (deliberate or other) errors and fraud occurring within the institution's operations.

The (internal) control measures pertaining to the operations must be such that these errors and fraud may, reasonably, be expected to be detected at an early stage, and if possible corrected.

The activities to be performed to that end may be delegated to the lower management concerned or to a specialized internal control body. In view of the vulnerability of credit institutions to infringements of internal control procedures, the introduction of a specialized internal control body (an internal control department and/ or an internal auditing department) is an obvious option when the level of activities expands.

4. Administrative systems

Every credit institution should have a framework (responsibilities, procedures, etc.) for day to day management. The policy principles to be implemented shall be communicated to the departments concerned.

The credit institution shall have at its disposal administrative systems which ensure that every transaction or commitment entered into is recorded correctly, systematically and on a timely basis. The provision of information must be possible from a variety of aspects so as to control specific banking risks. The management shall receive correct, complete and timely information about the risk positions taken by the credit institution in relation to the approved limits.

The administrative systems must offer proper insight, on a timely basis, into balance sheet and off-balance sheet positions and the development of the results.

5. Management information

With the aid of the (financial) information which becomes available periodically, the management should be able to ascertain whether and if so, to what extent, the targets set have been realized.

Managers at all levels of the credit institution shall be properly informed about the way tasks are being performed by their staff (plan/realization).

The frequency with which a manager receives management information, and the degree to which that information is detailed, are closely related to his position within the organization.
On the basis of the information reviewed, the manager involved can ascertain whether, and if so to what extent, redirection is required.

6. Internal control

The way internal control is organized should offer reasonable certainty that:
- the activities are being performed in accordance with the policy principles set out
- transactions and obligations are being undertaken with due observance of the prevailing rules on responsibilities
- managers are capable of adequate management of the credit institution's assets and liabilities; measures have been taken to keep the risk of loss ensuing from irregularities, fraud and errors to a minimum, and to identify them in time
- the administrative systems ensure correct, complete and timely information
- the management is able to ascertain periodically and on a timely basis whether the solvency, liquidity and profitability, as well as the quality of the credit institution's assets are adequate
- the management is able to identify, evaluate and quantify the risks attending banking activities in time. Risks should be recognized as such periodically and on a timely basis, and kept under control, so that appropriate provisions can be made if necessary
- the management is able to meet the reporting requirements, including those for the benefit of the Bank, and submit the relevant returns on time.

The management shall form an opinion of the scope and depth of the internal control measures (to be implemented), taking into account the earnings and expenses resulting from the measures to be taken.

It is the task of the management to assess (or have assessed) the internal control systems periodically in terms of their efficacy and lasting topicality and, where necessary, to make adjustments.

7. Recommendations regarding credit institutions' administrative organization

The following pages contain recommendations regarding a number of matters relating to the administrative organization which merit extra attention; they pertain to the administrative systems, management information and internal control. Individual credit institutions are explicitly given the scope to take alternative measures so as to tailor the administrative organization to their needs. It must be noted that the recommendations are not limitative in nature.

7.1 Administrative systems

The following aspects must be taken into account when organizing administrative systems.

A. Management information.
In general, this includes:
- Formulated policy targets, a strategic plan, a short-term financial plan and a detailed budget.
- Detailed procedure manuals.
- An overview of staff members' (internal and external) responsibilities.
- Correspondence files which provide insight.
- A list of depositors' signatures.
- Summarizing credit and revision proposals and more detailed files on loans per debtor or group of debtors.

More specifically:
- File information on marketable securities held in the name of the credit institution, held on account of customers or borrowed from third parties. Similar records are needed for securities which have been lent to third parties.
- Use of dealer tickets, confirmations of counterparties, nostro reconciliations and computer input reports.
- Taped registration of telephone calls made by dealers or other types of provisions for verification purposes in the event of a dispute with a counterparty.

B. The correct, timely and systematic recording of every transaction or commitment undertaken with adequate information on:
- the nature and backgrounds of the transaction/commitment present and/or future rights and obligations ensuing from the transaction the distribution over time of the earnings and expenses resulting from the transaction.

C. Recording the relevant technicalities of the transaction such as:
- the parties involved in the transaction
- the amount, currency and exchange rate agreed
- contract stipulations, dates of settlement and repayment
- in the case of interest-rate related transactions, the agreed interest rates the commission agreed and other fees
- the nature of and the value to be assigned to the collateral received in respect of moneys invested
  the nature of and the value to be assigned to the collateral provided in respect of moneys raised.

D. The administrative systems must be such that the management is always capable of:
- forming an opinion of the nature, size and quality of the assets identifying, quantifying and controlling risk positions
- adequately assessing and safeguarding the financial performance of the credit institution's various departments
- taking decisions on the basis of timely, correct and complete information.

E. Registration of the position limits approved by the management which befit the nature and the size of the banking activities undertaken. These may include limits as to counterparty, sector of industry, country, interest rate risk, securities dealing portfolio, overnight and intraday foreign exchange positions, settlement risk, traded options, futures, interest and foreign exchange swaps. The information provided must be such that the actual positions can be reviewed in relation to the limits assigned.

7.2 Management information

Management information is an important tool in the adequate management of the risks involved in banking.

The frequency with which information becomes available and the degree of detail depend in part on the level of management to which it is supplied. The following information is considered important:
- balance sheet and profit and loss account, to be provided regularly (in principle monthly)
- a survey of the assets held for trading purposes, including their purchase price and current value
- a survey of the development of the securities investment portfolio
- a survey of the commitments outstanding, broken down by sector of industry, country or other criteria which are of importance for the credit institution
- a survey of payment arrears in respect of loans and overdrawn credit lines; the size of the provisions made for bad debts, including the underlying calculations
- a survey of foreign exchange transactions outstanding, cash and forward, including their valuation
- a summary of positions in traded options, futures, off-balance-sheet transactions and their valuation
- a survey and an analysis of the interest rate position (by currency if that is of material importance) including the off-balance-sheet products
- a survey of foreign exchange positions by currency
- a sensitivity analysis measuring the influence on the results of changes in exchange rates, interest rates and prices of securities included in the trading portfolio
- an overview of the development of liquidity
- a survey of the large items in assets and liabilities
- a survey of the risk reporting in respect of activities subject to solvency requirements as prescribed by the Bank
- an analysis of the financial core figures and the development over time of the various result components
- a survey of solvency and liquidity results.

7.3 Internal control

The manner in which a credit institution organizes its internal control depends in part on the nature and the scope of the activities undertaken, the risks these entail, the degree to which the control exercised by the lower management over daily activities is laid down and the measure in which processing (automated or otherwise) is performed centrally or otherwise.

In this context, the following matters should be given attention.

A. Organizational and administrative management

In principle, a credit institution should have at its disposal:

- a formal organization chart with descriptions of staff members' jobs, competences, tasks and responsibilities. In conjunction with this, the reporting lines and communication structure
- a written general code of conduct for staff aimed at integrity (based in part on the relevant circular letters of the Bank)
- an approach to familiarize staff with the activities to be performed and to inform them on adjustments within the organization and the tasks assigned to them
- a manual laying down the principles for reporting and the valuation rules
- descriptions of the activities to be performed daily and the controls to be exercised
- archives containing documents which are of importance for the credit institution, internal memorandums, correspondence, summarizing and detailed files on outstanding loans
- procedures for setting up and beginning new operations, dealing with the risks to be recognized, the limits to be maintained, the administrative reporting systems and the internal control to be exercised.

B. Segregation of duties

Through a segregation of duties, the credit institution can restrict the risk of errors and/or fraud.

- The credit institution ensures that, where possible, different persons are responsible for registering assets, the safe custody of assets and undertaking and authorizing transactions and obligations.
- The segregation of duties ensures that, where amounts of financial importance are concerned, no single person is able to withdraw assets (deliberately or otherwise) from the credit institution, is able to register liabilities erroneously, or record transactions erroneously, without there being a reasonable chance of rapid discovery.

C. Administration

A credit institution employs procedures to guarantee that:

- all transactions and obligations are registered in the correct administrative system, to the right amount, so that they are recorded on or off the balance sheet in the period that they were undertaken, while the result is allocated to the periods to which it relates
- the assets and liabilities recorded actually exist
- the (arithmetic) correctness of the administrative records is verified; to that end use can be made of control totals and reconciliations with external data
- documents are added to the administrative registration system which form proof of the existence of a transaction or obligation

Where use is made of automated systems, validation checks and audit trials could contribute to the reliability and verifiability of the figures.

D. Security

A credit institution shall guarantee that:

- security procedures have been instituted for the physical protection of assets and that these are adhered to; the responsibility shall rest with persons who

are not involved in the administrative tasks
- security procedures also include physical precautionary measures with regard to valuable, marketable assets, securities to be issued, and documents with a legal title
- there are (written) procedures for taking customers' assets into safe custody
- there are (written) procedures for the security of the administrative registration system.

E. Reconciliations

At a credit institution:
- the data recorded in the administrative systems shall be checked periodically and on a timely basis for the (existence and correctness of) assets and liabilities, documents and control accounts
- the frequency with which reconciliations are made depends in part on the number and the financial importance of the transactions passed through the account to be reconciled and the balance outstanding on that account
- shall determine and assess the nature and size of the reconciliation differences
- transactions concluded with counterparties in the money, capital and foreign exchange markets shall be confirmed on a timely basis.

F. Valuation

A credit institution shall ensure that:
- the value of assets, liabilities, off-balance-sheet rights and obligations be checked for correctness regularly
- provisions or other adjustments as to the value be made on a timely basis, in accordance with the institution's reporting policy and legal and supervisory requirements.

G. Testing compliance with the procedures

The manner in which a credit institution monitors compliance with the prevailing procedures depends in part on the importance attached thereto. The credit institution shall ensure that:
- there is a periodic assessment of the data reported which shows whether and if so, to what extent, the actual risk positions remain within the approved limits mentioned under I.3.
- there are procedures for corrective measures to be taken in the event of non-compliance with rules or limits
- there are procedures to guarantee that the right management levels are supplied with relevant and adequate information regularly and on a timely basis
- there are reporting systems to check whether loans and credits have been granted in accordance with the policy principles and procedures set out; the quality of individual loans and credits (and of the collateral required) should
  be checked regularly, so that problems may be identified at an early stage
- a periodic assessment of any results realized in respect of assets held for trading purposes
- a periodic assessment of the sources from which liabilities are financed, of the degree to which this financing is concentrated at a small number of depositors, and the chances of these moneys being withdrawn
- a (monthly) assessment of the development of the results
- a permanent assessment of the articles of association, legislation and the rules and regulations of the supervisory authorities to ascertain whether, and to what extent, they exercise an influence on the credit institution's activities and whether the credit institution meets the directives.

For reasons of efficiency, the effectuation of the above test may be delegated to an internal control official or an internal control department and/or internal auditor.

IV.3 The Reliability and Continuity of Electronic Data Processing in Banking[1]

Policy paper issued on the basis of Section 15 of the SOSCS

1. Introduction

Within the banking system, the progressing integration of automated operations and the increasing complexity and interdependence of electronic data processing (EDP) systems are giving rise to greater dependence and vulnerability. The attendants risks may be very considerable. These risks are those which threaten the reliability and continuity of EDP and, hence, the continuity of the institution itself. Below, the concept of reliability is also taken to include those measures which serve to counter fraudulent use of automated (payment) systems and the misappropriation of confidential information. In this context, the concept continuity is understood to be the unhampered progress of data processing. Inadequate reliability and breaks in continuity may have grave repercussions for the liquidity and/or solvency position of the institutions(s) and may undermine confidence in the institution(s) concerned. Furthermore, unhampered processing of payments may also be endangered. It may be expected that, owing to such developments as a more far-reaching integration of EDP systems enabling third parties to initiate (payment) transactions directly through data communication, vulnerability could increase sharply. It is for these reasons that the Bank, as supervisory authority, wishes to encourage the supervised institutions within the banking system to pay due attention to security and internal control measures designed to ensure the reliability and continuity of EDP. In this respect, the Bank is faced with the problem that, nationally and internationally, there is as yet no generally accepted system of standards in respect of such security and internal control. With due allowance for this fact, the present memorandum sets out how the Bank wishes these aspects to be addressed.

2. Points of Departure for the Bank as Supervisory Authority

The Bank's involvement derives from the importance which it attaches to unhampered and reliable electronic data processing. The general point of departure is that the institution should pay due attention to the risks which could materially affect its liquidity and/or solvency.
Primary responsibility here rests with the institution's management. Consequently, the management will have to formulate and elaborate a policy which meets the fundamental conditions laid down by the Bank.

The Supervisory Board, too, is responsible for policy and regular policy adjustments in this regard; in discharging this responsibility it may employ the findings of the external auditor, who performs his function also on behalf of this Board. The Bank wishes to be informed periodically about the question whether these responsibilities are discharged properly. In the Bank's view, such a test can be performed most effectively by the institution's external auditor.
The Bank wishes to be informed of his findings (for details, see section 5).

[1] This guideline is primarily based on the guideline 'The Reliability and Continuity of Electronic Data Processing in Banking' issued on September 20, 1988 by De Nederlandsche Bank N.V. (Dutch Central Bank).

3. Policy Responsibility for EDP Reliability and Continuity

The proposition that policy responsibility for EDP reliability and continuity rests with the institution's management is undisputed. An adequate policy concerning security and internal control aimed at ensuring this reliability and continuity is of such importance that a systematic approach is called for.
On the basis of periodic risk assessment, the management must formulate a policy designed to counter the relevant risks to the extent possible. However, the Bank is aware that eventualities which may breach the system of measures and procedures can never be excluded entirely.
Consequently, in its view, the existing system of measures and procedures must meet requirements which may in reason be imposed.
First, the institution must take measures to counter situations in which EDP reliability and continuity are endangered.
To this end, measures are required aimed at prevention, timely detection, correction and limitation of losses.
In view of its ultimate responsibility, the management must ensure feedback at regular intervals so as to be informed about the progress of the measures to be implemented and about the observance of the existing regulations. At regular intervals, reviews must be conducted to assess whether changed circumstances necessitate policy adjustments.

4. Requirements for EDP Reliability and Continuity

It may be noted that the banking operations, the degree of automation and the actual EDP systems of the supervised institutions differ very widely. It is also true that the technological developments regarding systems, hacking techniques as well as security tools and methods are proceeding at a very rapid pace.

Concrete, generally accepted standards regarding EDP reliability and continuity are internationally under development.

Pending the formulation of these principles, the Bank merely wishes, for the time being, to lay down the following minimum requirements:

- primarily responsibility for EDP reliability and continuity rests with the institution's management. This responsibility entails that the relevant policy is explicitly formulated and is based on regular risk assessment
- when considering concrete measures to ensure reliability and continuity, priority should be given, within the scope of the technical possibilities, to the limitation of risks which may directly, or indirectly through a disruption of the continuity of banking services, endanger the institution's solvency and/or liquidity position
- when elaborating the institution's policy, procedures should be laid down regarding the manner in which policy will be implemented, in terms of technology, organization and manpower
- with due allowance for the size of the institution and the nature of the EDP organization, adequate internal control should be ensured

  The annex to this memorandum provides more details about the way in which risk management may be meaningfully conducted.

5. The Role of the External Auditor

The Bank is of the opinion that the supervised institution's audit engagement letter must contain a passage to the effect that the external auditor should periodically assess the reliability and continuity of EDP processes which are vital to the institution's operations.
In the Bank's view, this concerns EDP processes whose failure or lack of security may materially affect the institution's liquidity and/or solvency position.
The external auditor will have to assess the design and the actual existence (at the time of observation) of the system of measures and procedures in force for the EDP organization, in so far as they relate to the aspects of reliability and continuity as defined in section I of this memorandum. The external auditor must report on his findings in his annual management letter, discussing in detail any shortcomings and imperfections which have come to his attention in the course of his examination.
In reaction to this report, the institution's management must indicate in what manner any such shortcomings and imperfections will be remedied. This procedure must be effected through the inclusion of a separate passage in the institution's audit engagement letter, which could be worded as follows:
'Within the framework of the examination of the annual accounts, to complement the work of the internal auditor, the external auditor will also assess the continuity and reliability aspects of EDP processes, to the extent that they are vital to the institution.'
These activities may be performed with a periodicity which may differ from that of the examination of the annual accounts.

Annex

Requirements for Adequate EDP Reliability and Continuity

1. General

The importance which must be attached to adequate control and security of the EDP infrastructure of the supervised institutions is not quantifiable beforehand because of the wide variety in nature, size and degree of automation of the institutions. Even for institutions which may be considered equivalent in terms of these aspects, there will be essential differences deriving from the EDP structure chosen.
The Bank is of the opinion that policy responsibility for EDP reliability and continuity is primarily borne by the institution's management. Consequently, the Bank, in this annex, merely outlines a number of items which merit attention. This annex successively discusses policy, EDP reliability and EDP continuity, after which section 5 presents a summary, which may serve as a guideline.

2. Policy Regarding Security and Internal Control

At regular intervals, the institution's management will have to give due and explicit consideration to the risks involved in EDP. When planning consequent measures of security and internal control, benefits will be assessed in relation to costs. When considering concrete measures designed to ensure continuity and reliability, priority will have to be given to limiting risks which may directly, or indirectly through a disruption of services, endanger the solvency and/ or liquidity position.
The policy will have to reflect the main objectives:
-protection of EDP against events which may disturb continuity
-protection of data files and software against deliberate or non-deliberate mutilation and unauthorized use, both within and outside the institution
-limitation of losses in the event of discontinuity, mutilation or unauthorized use
-An assessment of the risks, supported by a detailed inventory of the threats to the reliability and continuity of EDP, may serve as a starting-point for the formulation of security policy and for the demands to be made in respect of internal control.

The management will have to communicate the consequent policy to all levels within the institution, make necessary appropriations (in terms of manpower and financial resources) on the basis of an overall assessment of priorities and monitor timely implementation of the relevant measures.

At regular intervals, the management must receive feedback in the form of reports on the actual security and internal control situation and on the compliance with the relevant regulations. Additionally, regular reviews must be conducted to assess the need for policy adjustments as a consequence of changed circumstances.

3. Reliability of EDP

The implementation of a properly structured user and EDP organization provides the basis for EDP systems ensuring complete, correct, timely and authorized processing of data.
Segregation of functions should be effected between system development and maintenance, processing and use.

For the development of EDP (sub-)systems, the use of standard methods and techniques is highly recommended. It is also preferable that documentation be set up in accordance with a standard system. For testing, acceptance and transfer of systems thus developed, standing procedures should be observed. In order to prevent the system development function from assessing sections of operational systems during testing, an adequate separation between the production environment and the test environment is necessary. This also holds for normal maintenance of operational systems.

In this context, it must be realized that adequate control of EDP systems ultimately depends on the people who work with or use the systems. Consequently, in the design of the organization, attention will have to be given to proper staffing in both qualitative and quantitative terms.

In the event of major changes to or maintenance of operational systems, it is recommended that the entire development path be traversed anew in order to ensure that full justice is done to all of the above aspects. Operational EDP systems should produce adequate records permitting checks on proper processing and processing results (e.g. with the aid of logging facilities).

The Bank wants to stress the risk of fraud. This is not without reason, since the data flows in banking frequently represent financial flows. Misuse of these sensitive data flows will result in a direct (financial) loss for the institution. When reported on in the media, successful fraud will detract from confidence in the institution in particular and in the banking system in general. Notably where highly automated payment systems are concerned, strict compliance with the input procedures must be monitored closely.

At present, new forms of payment are being introduced permitting payments to be initiated by third parties using electronic equipment. It need not be argued that payor authentication must be a major focus of attention for the participating institutions. Moreover, the institutions must take appropriate measures to prevent unauthorized access by third parties to the communication networks used (e.g. by means of encryption).

4. Continuity of EDP

As EDP systems are becoming increasingly interrelated and integrated and human intervention is becoming increasingly rare, the continuity of operation is becoming ever more dependent on the availability of hardware, software, updated files and documentation, as well as on the responsible use of the EDP systems. The dangers threatening the proper functioning and, hence, the continuity of EDP must be assessed. If possible, measures will have to be preventive in nature.

In the event of loss of or malfunctions in hardware, software, files and/ or documentation, the institution should be capable of restoring the critical EDP processes within the time set in its policy.
For that purpose, back-up and recovery procedures as well as contingency facilities are necessary.
These procedures and measures must be laid down in a contingency plan.
The contingency plan must be tested at more or less regular intervals (e.g. by means of drills).
The contingency plan must be adjusted to changing circumstances.

5. Guidelines Regarding Requirements for Security and Internal Control

A) <u>Policy concerning security and internal control requirements</u>

1. Formulating, developing and controlling policy concerning security and internal control, under the ultimate responsibility of top management.

2. Adjustment of policy to changing circumstances.

3. The policy should also be aimed at:
- minimizing the risks through preventive measures
- timely identification of irregularities
- limiting losses; and
- timely restoration of the initial situation.

4. It should be clear which officer(s) within the organization is (are) charged with Policy Planning, coordination and supervision of the implementation of the security policy and internal control.

5. Within the organization, reports should be prepared on a frequent basis covering the design and operation of the actual security policy and internal control.

B) <u>Reliability of EDP</u>

1. Development of information systems.

1.1 Structuring of communication and division of responsibilities between users, automation experts and control and security experts (e.g. project organization).

1.2 Development with the aid of standardized developing and programming methods.

1.3 Risk assessment as part of the development process leading to the ascertainment of controllable risks and matching the policy defined by the management.

1.4 Development of properly coordinated regulations and procedures for the processing environment and the user environment during system development.

1.5 Standardized test, acceptance and transfer procedures for systems developed in-house or by others (clear authorization procedures).

1.6 Authorization of modifications as part of maintenance.

1.7 In the event of major changes to existing systems, a similar procedure must be observed as in the case of the development of new systems.

2. Data processing

2.1 Attention for risks arising from operational systems due, for instance, to changed circumstances.

2.2 Separation between processing environment and test environment.

2.3 Segregation of functions between system development and maintenance, processing organization and user organization.

2.4 Availability of all organizational, technical and software documentation necessary to keep the system operational and to maintain it, developed in conformity with a standardized method.

2.5 The design of EDP systems-should be such as to permit ascertainment of the correctness, completeness, timeliness and authorization of input and output data and of processing.

2.6 Organizational, technical and/or software protection against deliberate or non-deliberate unauthorized access to software and files.

2.7 Appropriate control of data files and software libraries, based on well-defined procedures to ensure the use of authorized versions.

2.8 Standards for authorization and identification for access to data and software.

2.9 Protection of sensitive information during transport against unauthorized access or modification. (Data transmission using communication networks, tape transport, transport of PC data carriers, etc.)

C) <u>Continuity of EDP</u>

1. The management must conduct an assessment of the risk concerning the continuity of EDP. These risks include:
- technical risks and calamities, such as fire, technical breakdowns, power failure, storm damage, damage by lightning
- risks of crime, such as violence, vandalism, sabotage, terrorism, theft of data, bugging, industrial espionage, fraud, data manipulation
- carelessness, such as erasure/mutilation of data, infringement of privacy, human errors
- other risks, such as industrial action, strikes

2. Restoration, after occasional disturbances, of the continuity of critical EDP systems, whether or not with the aid of disaster recovery facilities, within the time set in the policy.
In this connection, the preparation and proper filing of the necessary backups of software and data files. Testing, at more or less regular intervals, of the proper operation of the contingency plan (e.g. by means of drills).

IV.4 Credit Risk Management

Credit Risk Management

Policy paper on Credit Risk Management by virtue of Section 15, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba.

1. Introduction

Over the years weak credit risk management practices and poor credit quality continue to be the major cause for bank failures and banking crises worldwide. In view of this, the Bank has decided to issue a policy paper to provide credit institutions with detailed guidelines to formulate their policies and procedures for effective credit risk management, which are essentially based on the Principles for the Management of Credit Risk as issued by the Basle Committee on Banking Supervision in September 2000. The Bank will evaluate the credit institutions' policy against there standards.

Credit risk is defined as the existing or potential threat to the equity and income of a credit institution, due to the failure of a borrower or counterparty to meet its financial or other obligations towards the institution. The purpose of credit risk management is to maintain credit risk exposure within acceptable parameters.

This policy paper provides guidelines on the following four major areas of Credit Risk Management:

1. credit risk environment;
2. credit granting process;
3. credit administration, measurement and monitoring process;
4. controls over credit risk.

2. Credit risk environment

In order to establish an appropriate credit risk environment the institution should have a clear credit risk strategy and adequate credit risk policies. The strategy and policies should reflect the institution's tolerance for risk and the level of profitability it expects to reach by incurring various credit risks. Furthermore, it should address the identification, measurement, monitoring and control of credit risk in all the institution's activities and at both the individual credit and aggregated portfolio levels. The strategy and policies should be communicated in writing to all employees involved in activities where borrower or counter party credit risks exist. These employees should be held accountable for complying with the established policies and procedures.

The development and implementation of the credit risk strategy and policies is the responsibility of senior management. The board of directors is responsible for the approval and periodical (at least annually) review of the documents concerned. The board should ensure that the institution's capital level is adequate for the risks assumed throughout the organization. Furthermore, the board should ensure that senior management is fully capable of managing the credit activities and that such activities are done within the risk strategy, policies and tolerances approved by the board. In addition, the board should approve the manner in which the bank will organize its credit-granting functions, including an independent review of the credit granting and management function and the overall portfolio.

3. Credit granting process

The institution should have a sound credit granting process with well-defined criteria for the approval of new credits, as well as the amendment, renewal and re-financing of existing credits. This credit granting process should be delineated in a handbook, which should be approved by the Board of Directors. Important aspects of this process are:

- requirement that account officers perform a comprehensive assessment of the true risk profile of the borrower/ counter party. The following factors should be considered in approving credits:

  - the purpose and structure of the credit and the source of repayment;
  - the current risk profile of the borrower/ counter party and collateral, and its sensitivity to economic and market developments;
  - the borrower's repayment history and current capacity to repay, based on historical financial trends and future cash flow projections under various scenarios;
  - for commercial credits, the borrower's business expertise and the status of the borrower's economic sector and its position within that sector;
  - the proposed terms and conditions of the credit, including covenants designed to limit changes in the future risk profile of the borrower; and
  - where applicable, the adequacy and enforceability of collateral or guarantees, under various scenarios;
  - integrity and reputation of the borrower/ counter party, as well as their legal capacity to assume liability.

- Establishment of a Credit Committee that ensures that the lending policies are adequate and adhered to and comply with applicable laws and regulations regarding credit extensions;
- Establishment of overall credit limits at the level of individual borrowers and counter parties, groups of connected counter parties and credits to related companies and individuals. These limits should be in compliance with the supervisory directives on "Large exposures to a group of connected clients" and "Credit extensions to Insiders";
- Establishment of exposure limits for particular industries or economic sectors, geographic regions and specific products;
- Requirement that all extensions of credit are made at arm's length, especially credits to related companies and individuals;
- Adequate documentation.

The institution must bear in mind that although collateral and guarantees may help to mitigate risks in individual credits, the granting of credits should be based primarily on the strength of the borrower's repayment capacity. The institution should establish policies covering the acceptability of various forms of collateral and procedures for the ongoing valuation thereof.

The institution should ensure that the credit risk officers have sufficient experience, knowledge and background to exercise prudent judgement in assessing, approving and managing risks. The credit-granting approval process should establish accountability for decisions taken and designate who has the final authority to approve credit or changes in credit terms.

4. Credit administration, measurement and monitoring process

The institution should maintain an appropriate credit administration, measurement and monitoring process. This process consists of the following 6 important aspects:

1. Development of a system for the ongoing administration of the credit risk-bearing portfolios. This includes keeping the credit files up to date, obtaining current financial information, sending out renewal notices and preparing various documents such as loan agreements.

   The credit files should include all information necessary to ascertain the current financial condition of the borrower or counter party, as well as sufficient information to track the decisions made and the history of the credit e.g. current financial statements, financial analyses, internal rating documentation and appraisals.

2. Monitoring the condition of individual credits and determining the adequacy of provisions and reserves. An effective credit monitoring system includes measures to:

- ensure that the credit institution understands the current financial condition of the borrower or counter party;
- monitor compliance with existing covenants;
- assess, where applicable, collateral coverage relative to the obligor's current condition;
- identify contractual payment delinquencies and classify potential problem credits on a timely basis;
- direct problems promptly for remedial management.

3. Development and utilization of an internal credit risk rating system. The ratings assigned to individual borrowers or counter parties at the time the credit is granted should be reviewed at least on an annual basis and individual credits should be assigned a new rating when conditions either improve or deteriorate. The Bank recommends to categorise credits into the following 5 classes:

<u>Good</u>

The loan is sound and all principal and interest payments are current. Repayment difficulties are not foreseen under current circumstances and full repayment is expected.

<u>Special mention</u>

The loan is subject to conditions that, if left uncorrected, could raise concerns about full repayment. These type of loans require more than normal attention.

<u>Substandard</u>

Full repayment is in doubt due to inadequate protection (e.g. obligor net worth or collateral), and/ or interest or principal or both are more than 90 days over due. These loans show underlying, well-defined weaknesses that could lead to probable losses if not corrected, and thus risk becoming impaired assets. A specific provision of 10-20% of the uncollateralized amount is required.

<u>Doubtful</u>

Assets for which collection/ liquidation in full is determined by bank management to be improbable due to current conditions, and/ or interest or principal or both are overdue more than 180 days. Assets in this category are considered impaired, but are not yet considered total losses, because some pending factors may

improve the assets' quality (via new financing or capital injection). A specific provision of at least 50% of the uncollateralized amount is required.

Loss
An asset is downgraded to loss when management considers the facility to be virtually uncollectible, and/ or when interest or principal or both are overdue more than one year. A specific provision of 100% of the uncollateralized amount is required.

4. Establishment of adequate management information systems (MIS) and analytical techniques that enable management to measure the credit risk inherent in all on- and off-balance sheet activities, and to identify (potential) concentrations of risk and/ or particular sensitivities. Also, the MIS should ensure that exposures approaching risk limits are brought to the attention of senior management. The measurement of credit risk should take into account:

- the specific nature of the credit (loan, derivative, facility, etc.) and its contractual and financial conditions;
- the exposure profile until maturity in relation to potential market movements;
- the existence of collateral or guarantees;
- the potential for default based on the internal risk rating;
- monitoring of actual exposures against established limits;
- perform (stress testing and scenario) analyses to identify potential areas of credit risk exposure.

5. Development of a system for the assessment and monitoring of the overall composition and quality of the credit portfolio, including the identification of any concentrations of risk. Concentration is present when the portfolio of a credit institution contains a high level of direct or indirect credits:

- to a single counter party;
- to a group of connected counter parties;
- to a particular industry or economic sector;
- to an individual foreign country or a group of countries whose economies are strongly interrelated;
- with the same maturity.

This system should also identify the measures to reduce or mitigate concentrations, e.g. pricing for additional risk, increased holdings of capital, loan participations, loan sales, credit derivatives, etc. Risks involved in these measures should also be identified and adequately managed.

6. Assessment of impact of potential future changes in economic conditions on the credit portfolio, and thus on the credit risk exposure of the institution. The credit institution should perform (stress-test) analyses of the types of situations, such as economic downturns both in the whole economy or in particular sectors, higher than expected levels of delinquencies and defaults, or the combinations of credit and market events that could produce substantial losses or liquidity problems.

5. Controls over credit risk

The institution should establish a system of independent, ongoing review of the institution's credit risk management processes and the results of such reviews should be communicated directly to the board of directors and senior management. Important functions of such independent credit reviews are:

- evaluation of the overall credit administration processes;
- assessment of overall quality of credit portfolio;
- determination of the accuracy of internal risk ratings;
- assessment of adequacy of monitoring of individual credits by account officers.

Credit institutions should ensure that the credit granting function is being properly managed, and that credit exposures are within levels consistent with prudential standards and internal limits. The institutions should establish and enforce internal controls and other practices to ensure that exceptions to policies, procedures and limits are reported in a timely manner to the appropriate level of management for action.

The institutions should have a system in place for early remedial action on deteriorating credits and managing problem credits. Credit institutions with significant problem credits are recommended to establish a specialized workout section responsible for developing effective strategies to rehabilitate troubled credits or to increase the amount of repayment ultimately collected.

IV.5 Country Risk Management

Guidance paper for Country Risk Management by virtue of Section 15, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba (the Bank).

1. Introduction

The purpose of this policy paper is to provide the credit institutions with guidelines to establish an adequate country risk management policy. As country risk is a specific form of credit risk, the general stipulations of the policy paper on credit risk management are also applicable.

2. Definitions

Country risk is defined as the risk on a consolidated basis of:

1. a foreign public authority failing to meet its obligations (sovereign risk); and/or
2. a foreign public authority placing restrictions on funds transfers from other debtors in its country to foreign creditors (transfer risk); and/ or
3. a significant number of debtors in a single country being unable to meet their obligations owing to a specific cause (collective debtor risk). Examples of such a cause are war, political or social unrest, natural disasters and national policy failures in achieving macro-economic and/or financial stability.

The total country risk exposure consists of the aggregate exposure to counterparties established in a single country. In this context exposure comprises:

a. credit portfolio (including credit facilities);
b. trade portfolio (investments);
c. off-balance-sheet items (e.g. guarantees issued on behalf of foreign clients, reserved but unused credit facilities).

To determine the net country risk exposure amount (which is the basis for provisioning), the following items may be deducted from the gross exposure amount:

- provisions for loan losses;
- guarantees and other securities:
  - assets covered by credit insurance;
  - back to back positions;
  - net positions covered by guarantees and other securities, if both political and transfer risk are adequately covered (e.g. when guarantor or security is established respectively located outside the debtor-country).
- trade financing exposures:
  As long as the payment history of a debtor-country is normal, a credit institution's net position due from trade financing with a maturity $\leq$ 1 year may be excluded from the country risk provision calculations. Trade financing exposures with a maturity $\leq$ 3 years may be excluded provided stable conditions existed in the debtor-country for the past ten years.

3. Monitoring of Country Risk

Each credit institution should monitor on an on-going basis its country risk exposure, and assess whether a country risk provision should be formed against this exposure. A country risk provision should be treated as a specific provision and, thus, be deducted from the respective loans / investments for which a country risk provision is formed.

The Bank recommends that the most recent sovereign debt ratings issued by agencies as Standard & Poor, Moody's and Fitch are used as a basis for determining the country risk provision percentage.

IV.6 Interest Rate Risk Management

Guidance paper for Interest Rate Risk Management by virtue of Section 13, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba.

1. Introduction

The purpose of this guidance paper is to provide the credit institutions with guidelines to establish an adequate interest rate risk management policy that effectively identifies, measures, monitors and controls interest rate risk exposures and that is subject to appropriate board and senior management oversight. This guidance paper is essentially based on the Principles for the management of interest rate risk as issued by the Basle Committee on Banking Supervision in September 1997.

Interest rate risk is the potentially adverse effect of future movements in interest rates on a credit institution's financial condition. Such movements may affect a credit institution's earnings by changing its net interest income, the level of other interest sensitive income and operating expenses. Furthermore, they affect the underlying value of the institution's assets, liabilities and off-balance sheet items (underlying economic value), because the present value of future cash flows changes when interest rates change. Accepting interest rate risk is one of the functions of financial intermediation. However, excessive interest rate positions can turn out badly for the institution concerned and negatively affect its profit and own funds position.

2. Sources of interest rate risk

There are four primary sources of interest rate risk to which credit institutions are typically exposed:

<u>1. Repricing Risk</u>

This risk arises from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of the institution's assets, liabilities and off-balance sheet positions.

<u>2. Yield Curve Risk</u>

This type of risk arises when there is a non-parallel shift in the yield curve. E.g. if the increase in the short term interest rate is higher then the long term interest rate or if the short term interest rate increases, while the long term interest rate decreases.

<u>3. Basis Risk</u>

The basis risk arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. E.g. a one-year loan that will be repriced monthly based on the one-month U.S. Treasury Bill rate, funded by a one-year deposit that will be repriced monthly based on one-month Libor.

<u>4. Optionality</u>

This is the risk that arises from the options embedded in certain bank assets, liabilities and off-balance sheet portfolios.

3. Interest Rate Risk Measurement techniques

There are 3 commonly used techniques for measuring interest rate risk: gap analysis, duration gap analysis and scenario analysis. The interest rate risk reporting form is based on the gap analysis. This technique is relatively simple and focuses on the measurement of repricing risk, the primary source of interest rate risk.

It is considered to be adequate, given the rather incomplex finance structure of the credit institutions operating in Aruba.

In the gap analysis simple maturity/repricing schedules are used that distribute interest-sensitive assets, liabilities and off-balance sheet positions into a certain number of predefined time-bands according to their maturity (if fixed rate), or time remaining to their next repricing (if floating rate). Assets and liabilities lacking definitive repricing intervals or having actual maturities that could vary from contractual maturities (optionality risk) are assigned to repricing time-bands according to the judgement and past experience of the credit institution.

To evaluate earnings exposure, interest rate sensitive liabilities in each time-band are subtracted from the corresponding interest rate sensitive assets to produce a repricing "gap" within that time-band. This gap can be multiplied by an assumed change in interest rates to approximate the change in net interest income that would result from such an interest rate movement. The size of the interest rate movement used in the analysis can be based on a variety of factors, including historical experience, simulation of potential future interest rate movements, and the judgement of bank management.

4. Principles for Interest Rate Risk Management

All credit institutions should have in place a comprehensive policy on interest rate risk management, comprising 4 basic elements:

- Appropriate board and senior management oversight;
- Adequate risk management policies and procedures;
- Appropriate risk measurement and monitoring systems; and
- Comprehensive internal controls and independent external audits.

In the abovementioned "Principles for the management of interest rate risk" 11 principles are identified which relate to these four basic elements. These principles serve as guidelines for the establishment of an effective interest rate risk policy. The specific manner in which credit institutions apply these principles depends upon the complexity and nature of its holdings and activities as well as on the level of interest rate risk exposure. The principles are briefly discussed below.

The Role of the Board and senior management

Principle 1
In order to carry out its responsibilities, the board of directors of a credit institution should approve strategies and policies with respect to interest rate management and ensure that senior management takes the steps necessary to monitor and control these risks. The board of directors should be informed regularly of the interest rate risk exposure of the bank in order to assess the monitoring and controlling of such risk.

Principle 2
Senior management must ensure that the structure of the credit institution's business and the level of interest rate risk it assumes are effectively managed, that appropriate policies and procedures are established to control and limit these risks, and that resources are available for evaluating and controlling interest rate risk.

Principle 3
Credit institutions should clearly define the individuals and/ or committees responsible for managing interest rate risk and should ensure that there is adequate separation of duties in key elements of the risk management process to avoid potential conflicts of interest.

Policies and procedures

Principle 4
It is essential that credit institution's interest rate risk policies and procedures are clearly defined and consistent with the nature and complexity of their activities. These policies should be applied on a consolidated basis and, as appropriate, at the level of individual affiliates, especially when recognizing legal distinctions and possible obstacles to cash movements among affiliates.

Principle 5
It is important that credit institutions identify the risks inherent in new products and activities and ensure that these are subject to adequate procedures and controls before being introduced or undertaken.

Measurement and monitoring systems

Principle 6
It is essential that credit institutions have interest rate risk measurement systems that capture all material sources of interest rate risk and that assess the effect of interest rate changes in ways that are consistent with the scope of their activities. The assumptions underlying the system should be clearly understood by risk managers and the credit institution's management.

Principle 7
Credit institutions must establish and enforce operating limits and other practices that maintain exposures within levels consistent with their internal policies.

Principle 8
Credit institutions should measure their vulnerability to loss under stressful market conditions - including the breakdown of key assumptions – and consider those results when establishing and reviewing their policies and limits for interest rate risk.

Principle 9
Credit institutions must have adequate information systems for measuring, monitoring, controlling and reporting interest rate risk exposures. Reports must be provided on a timely basis to the credit institution's board of directors, senior management and, where appropriate, individual business line managers.

Internal Control

Principle 10
Credit institutions must have an adequate system of internal controls over their interest rate risk management process. A fundamental component of the internal control system involves regular independent reviews and evaluations of the effectiveness of the system and, where necessary, ensuring that appropriate revisions or enhancements to internal controls are made. The results of such reviews should be available to the relevant supervisory authorities.

<u>Information for supervisory authorities</u>

Principle 11

Supervisory authorities should obtain sufficient and timely information from the credit institutions to evaluate their level of interest rate risks. This information should take appropriate account of the range of maturities and currencies in each credit institution’s portfolio, including off-balance sheet items, as well as other relevant factors, such as the distinction between trading and non-trading activities.

IV.7 Foreign Exchange Risk Management

Guidance paper on Foreign Exchange Risk Management by virtue of Section 13, paragraph 1 of the State Ordinance on the Supervision of the Credit System (AB 1998 no. 16) (SOSCS) for credit institutions licensed by the Central Bank of Aruba.

1. Introduction

The purpose of this guidance paper is to provide credit institutions with guidelines to establish an adequate foreign exchange risk management policy that effectively identifies, measures, monitors and controls foreign exchange risk exposures, and that is subject to appropriate board and senior management oversight.

2. Types of prudential risks in foreign exchange business

While credit institutions are exposed to a number of different types of risk in the conduct of their foreign exchange business, most of these risks are also inherent to domestic banking business. In principle, the only risk specifically related to foreign currency business is the exchange rate risk, i.e. the risk that a credit institution may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in a certain foreign currency.

The other risks incurred by credit institutions conducting foreign exchange operations arise more as a result of the international aspects of such business than because foreign currencies are involved. One of such risks is the interest rate risk, which arises from the maturity mismatching of foreign currency positions.

Another type of risk is the credit risk, i.e. that of a defaulting counterparty to a foreign exchange contract, or a loan contract involving foreign exchange. In that case the credit institution, provided it originally had a balanced book, would find itself inadvertently left with an uncovered exchange position. Although this kind of credit risk potentially encompasses the total of a credit institution's foreign exchange book, the credit institution would suffer an exchange loss only to the extent that the exchange rate had in the meantime moved in such a way that a cost would be involved in covering the position opened up by an unfulfilled foreign exchange contract. However, in the case of a loan contract a credit institution may be exposed for the full amount of the contract.

Finally, most foreign exchange contracts involve counterparties who are resident in other countries, with the result that sovereign (or country) risk, e.g. the risk of a ban on the transfer of currency by the nationals of a particular country, will also be present.

3. The role of the management of the credit institution

The primary responsibility for the safety of credit institutions in their foreign exchange operations rests with the management of credit institutions. In particular, it is the management's responsibility to set appropriate limits to the risks taken by a credit institution in its foreign exchange business, and to ensure that there are proper internal control procedures covering this area of a credit institution's activities.

So far as internal controls are concerned, the credit institutions should observe a clear and well-defined division of responsibility between a) foreign exchange dealing, b) accounting, and c) internal supervision. The credit institution's foreign exchange dealers should have clear and binding instructions with regards to general trading principles, as well as limits (by individual currencies and maturities) on open positions, on the size of individual contracts and on the exposure (overnight and forward) to individual counterparties.

Foreign exchange accounting should be organized in such a way that the credit institution's management is continuously in possession of a full and up-to-date picture of the credit institution's position in individual currencies and with individual counterparties. Moreover, periodic and frequent revaluations at current market rates should permit the monitoring of the development of the credit institution's profits or losses on its outstanding foreign exchange book.

4. The role of the internal auditors

It is the responsibility of the internal auditors to ensure that dealers observe the instructions and the code of behavior required from them, and that accounting procedures meet the necessary standards of accuracy, promptness and completeness. For that purpose, it is advisable that internal audits and inspections take place at regular intervals, and that from time to time spot checks are made. As a further safeguard against malpractices, the internal auditors, in co-operation with the central management, should also exchange information on outstanding foreign exchange contracts with the counterparties to these contracts.